COUNTY OF PLACER
Community Development Resource Agency

PLANNING

MEMORANDUM

TO: BOARD OF SUPERVISORS

FROM: MICHAEL J. JOHNSON, AICP, DIRECTOR OF PLANNING

SUBJECT: PLACER COUNTY CONSERVATION PLAN – Financial Analysis and Prioritization of Reserve Map Alternatives

DATE: November 20, 2006

SUMMARY/ACTION REQUESTED: Staff has two items to present to the Board. The first is Board concurrence that the proposed Placer County Conservation Plan (PCCP) can proceed with the reserve map proposed by staff (Exhibit A), which when further refined would serve as a basis for formal negotiations with the State and Federal agencies. The second is Board review of a financial analysis prepared by staff that assesses three reserve design maps. This financial analysis was previously requested at the Board's meeting on January 24, 2006.

BACKGROUND: In June 2000, the Board directed the staff to initiate the implementation of the Placer Legacy Program. As part of that direction staff initiated the preparation of a Natural Community Conservation Plan and Habitat Conservation Plan to comply with the State and Federal Endangered Species Act and an effort to programmatically comply with the Federal Clean Water Act related to wetlands. This effort, now referred to as the Placer County Conservation Plan, is proceeding for the first phase of the PCCP covering Western Placer County.

The PCCP is intended to address the impacts associated primarily with unincorporated growth in west Placer and growth associated with the buildout of Lincoln's updated General Plan. Development in Western Placer County will require the preservation of approximately 54,300 acres of land between now and 2050.

DISCUSSION: Staff has prepared a comprehensive technical report which contains background information, technical analysis, and substantial discussion regarding both the PCCP reserve design analysis and financial analysis (see Exhibit B). A summary of this report is provided in the balance of the staff report.

Value of the PCCP

The development of the PCCP has taken a considerable investment of staff time and money. The primary value for such an investment of public and private resources is the ability of the PCCP to replace the current highly fragmented, time consuming and expensive project-by-project approach to mitigation with a comprehensive, long-term regional plan.

Programs such as the PCCP are increasingly seen as a solution to problems associated with project-by-project review of land development projects. In Northern California, there are eight similar efforts underway, including efforts in the counties of Yuba, Sutter, Sacramento, Yolo, Solano, Contra Costa, and Santa Clara. El Dorado County is now considering the preparation of a conservation plan as well. The interest on local agencies part is to solve the numerous and complicated problems associated with balancing growth with the mandate of the state and federal agencies to protect sensitive species and their habitats. Consistent with the direction provided by the Board, it is staff's objective to avoid crisis management (i.e., working in concert with State and federal agencies instead of reacting to their regulatory mandates) as the reason to consider a regional approach to resource conservation.

PCCP Benefits

The specific benefits with a program like the PCCP include the following:

- The PCCP provides a 50-year permit that improves certainty when compared to a status quo that is completely uncertain. Each project is approached with whatever rules are in effect at the time the project is being reviewed.
- The potential for a 120-day turnaround for all development-related Corps of Engineers issued permits for wetland fills (based upon recent discussions with the management of the COE Regulatory Branch, Sacramento District).
- Regulatory coverage for major infrastructure projects (e.g., Placer Parkway and the Sacramento River diversion of 35,000 acre/feet of water)
- Local regulatory control with agency oversight
- Improved governmental efficiency and elimination of redundant review procedures
- Improved habitat conservation
- The PCCP will provide a "no surprises" policy that protects the County from the impacts of future listings on the Endangered Species Act. Absent the PCCP, unknown future listings would affect future development.

Participating Agencies

The development of the PCCP includes a number of key partners or participating agencies. These agencies are also requesting regulatory coverage through the PCCP. If the PCCP is approved each agency will have obligations to satisfy the mitigation requirements of the PCCP for the impacts that are generated within their jurisdiction or as a consequence of their projects. Thus far, the City of Lincoln, the South Placer Regional Transportation Authority (SPRTA), and the Placer County Water Agency (PCWA) have expressed interest in becoming participating agencies in the proposed

PCCP. As participating agencies, the SPRTA and the PCWA are relying on the proposed PCCP to achieve mitigation requirements for the Placer Parkway Facility and the Sacramento River Water Diversion project, respectively. These two projects are discussed below in further detail.

South Placer Regional Transportation Authority (SPRTA)

SPRTA is seeking regulatory coverage for direct and indirect impacts to natural resources associated with construction of the proposed Placer Parkway transportation facility. Coverage includes construction and maintenance for a high-speed regional transportation facility connecting SR 65 in west Placer County to SR 70/99 in south Sutter County. The approximate 18-mile facility will be sited in a varying 500'- to 1,000'-wide corridor. As a participating agency in the proposed PCCP, SPRTA will ultimately be issued regulatory permits for, among others, 1) ground disturbance activities, 2) indirect impacts associated with fragmentation of existing resources, and 3) cumulative impacts associated with implementation of the Placer Parkway facility project.

SPRTA has been involved in the development of the PCCP for a number of reasons including: regulatory coverage for the project in advance of project development, additional flexibility on route selection, resolution of growth inducing impacts, and a higher degree of regulatory certainty as the project moves forward to route selection and construction.

Consideration of the Placer Ranch project prior to the completion of the Placer Parkway Tier 1 Environmental Document and corridor selection presents some challenges. These challenges center on the reservation of a corridor through the Placer Ranch project in anticipation of a future Placer Parkway roadway alignment. In conversations with PCTPA, SPRTA, the federal agencies and the applicant, staff has collectively concluded that this is a very difficult undertaking. The Department of Public Works has come to the conclusion that the PCCP is a critical and important component in reconciling the Placer Parkway issues with various land development proposals. This is because these land development proposals include land uses within the 1000 foot Parkway corridor, and there needs to be offsetting mitigations to address this critical issue. The Parkway corridor width was established to achieve a number of objectives. Without the reservation of the full width through these land use proposals SPRTA needs to find alternative ways to achieve these offsetting mitigations and the PCCP offers the best opportunity to do so through a regional long term approach.

Placer County Water Agency

PCWA is seeking regulatory coverage for indirect impacts associated with the future construction, operation, and maintenance of PCWA water supply facilities required to meet the needs of residential, commercial, public facility, and industrial construction within the County of Placer and City of Lincoln. This coverage includes the Sacramento River Water Diversion project as well as future potential projects required to meet the growing water needs of the region.

PCWA is currently in the process of trying to meet mitigation requirements for the indirect impacts associated with the Sacramento River Water Diversion project, which proposes to divert 35,000 acre/feet of water from the Sacramento River in order to accommodate the water needs of growth in Western Placer County over the next 30 years. The PCCP can provide PCWA the regulatory coverage needed to proceed. However, in absence of the PCCP, PCWA will need to resolve this issue independently. PCWA, along with Placer County and a number of other local agencies, have been negotiating with the U.S. Fish and Wildlife Service to prepare a Memorandum of Agreement to address these impacts. While these negotiations are proceeding it appears that the PCCP is the best solution for achieving the mitigation requirements needed to move the Sacramento River Water Diversion project forward.

Reserve Map Alternative Selection

In order to proceed with the preparation of the PCCP, it is necessary to focus on a single reserve map alternative for a number of analytical tasks including the preparation of an EIR/EIS, the finance plan and to further refine the balance between conservation, mitigation and restoration/enhancement. While a number of reserve map alternatives will continue to be reviewed in order to comply with CEQA/NEPA and Clean Water Act requirements, it is necessary to focus the work program on a single reserve map. A significant commitment of time and money is still involved in the PCCP and it will be necessary to focus the assessment on a reserve map alternative that has the greatest likelihood of being successful for regulatory, scientific and political considerations.

Reserve map alternative 14, presented in Exhibit B, represents an alternative that the staff believes serves as the best starting point for formal negotiations with the wildlife agencies and stakeholders. A number of characteristics of this alternative need to be noted:

- If approved, this map would provide regulatory coverage for all three of the specific plans under review by Placer County including the Placer Vineyards Specific Plan, the Placer Ranch Specific Plan and the Regional University Specific Plan.
- The map seeks a balance between the City of Lincoln's proposed General Plan and the requirement for the City to mitigate impacts to wetlands and endangered species over time. The City was directly involved in the discussions on the development of this and many of the earlier alternatives.
- This reserve map alternative sets aside the preparation Curry Creek Community Plan at least until such time that the PCCP is complete (2 years) and/or indefinitely depending upon the outcome of negotiations with the wildlife agencies.
- The map provides for connectivity between the northern portions of the reserve system (Sheridan area and to the east) and the westerly and southerly portions of the reserve area.
- The map does contain a significant amount of urban edge that intrudes into the reserve area. This characteristic will be of concern to the wildlife agencies.

- There are fragmented or isolated areas of conserved lands that will be of concern to the wildlife agencies due to a lack of connectivity and the challenge of maintaining such areas over time.
- The amount of vernal pools avoided and wetlands in general may not be sufficient to be considered the least environmentally damaging practicable alternative without additional preservation of wetland areas than is currently depicted on the map.
- Blue oak woodland conservation is focused on the Garden Bar/Big Hill area where existing acquisitions provide the foundation for early compliance.

Of the issues listed above, the need to develop a reserve system map with minimal urban interface and the need for additional vernal pool avoidance (and other wetland avoidance) are the two most critical issues that will need to be resolved over the next couple of months in order to move forward.

Financial Analysis

Implementation of the PCCP is predicted to entail costs associated with land preservation and land restoration in order to mitigate impacts to endangered species and wetlands over the next 50-years. If early estimates hold firm, approximately 40,000 to 45,000 acres of land must be preserved which has a market value in the area of $1 billion. NOTE: the County is not responsible for this cost. This is the estimated cost that property owners/developers will pay to acquire/restore land to mitigate impacts of development. Annual costs to manage and monitor are estimated to be $7-8 million/year once the land has been acquired. These costs would not be borne by Placer County in that the beneficiaries of this program are largely private land development interests. A detailed summary of a financial analysis completed by Hausrath Economics Group (HEG) is presented in Exhibit C.

RECOMMENDATIONS: Staff recommends the Board to:

1. Direct staff to proceed with negotiations to refine the Alternative 14 reserve system for the PCCP.
2. Direct staff to work with the Financial Working Group to assist in the development of a finance plan for the PCCP.
3. Report back to the Board on the ability of the State and Federal agencies to support Reserve Map 14, as well as on the anticipated costs associated with completion of the PCCP.

Respectfully submitted,

MICHAEL J. JOHNSON, AICP
Director of Planning

EXHIBITS: The following exhibits are provided for the Board's consideration:

Exhibit A: Reserve Map Alternative 14
Exhibit B: Placer County Conservation Plan - Background and Technical Information
Exhibit C: Cost Analysis of PCCP Alternatives - Revised 11-1-06

cc: John Marin, CDRA
Rod Campbell, City of Lincoln
Einar Maisch, PCWA
Celia McAdams, PCTPA
BWG Members
IWG Members
Chris Beale, Resources Law Group
Sally Nielsen, HEG
Tom Reid, TRA Environmental Sciences, Inc.

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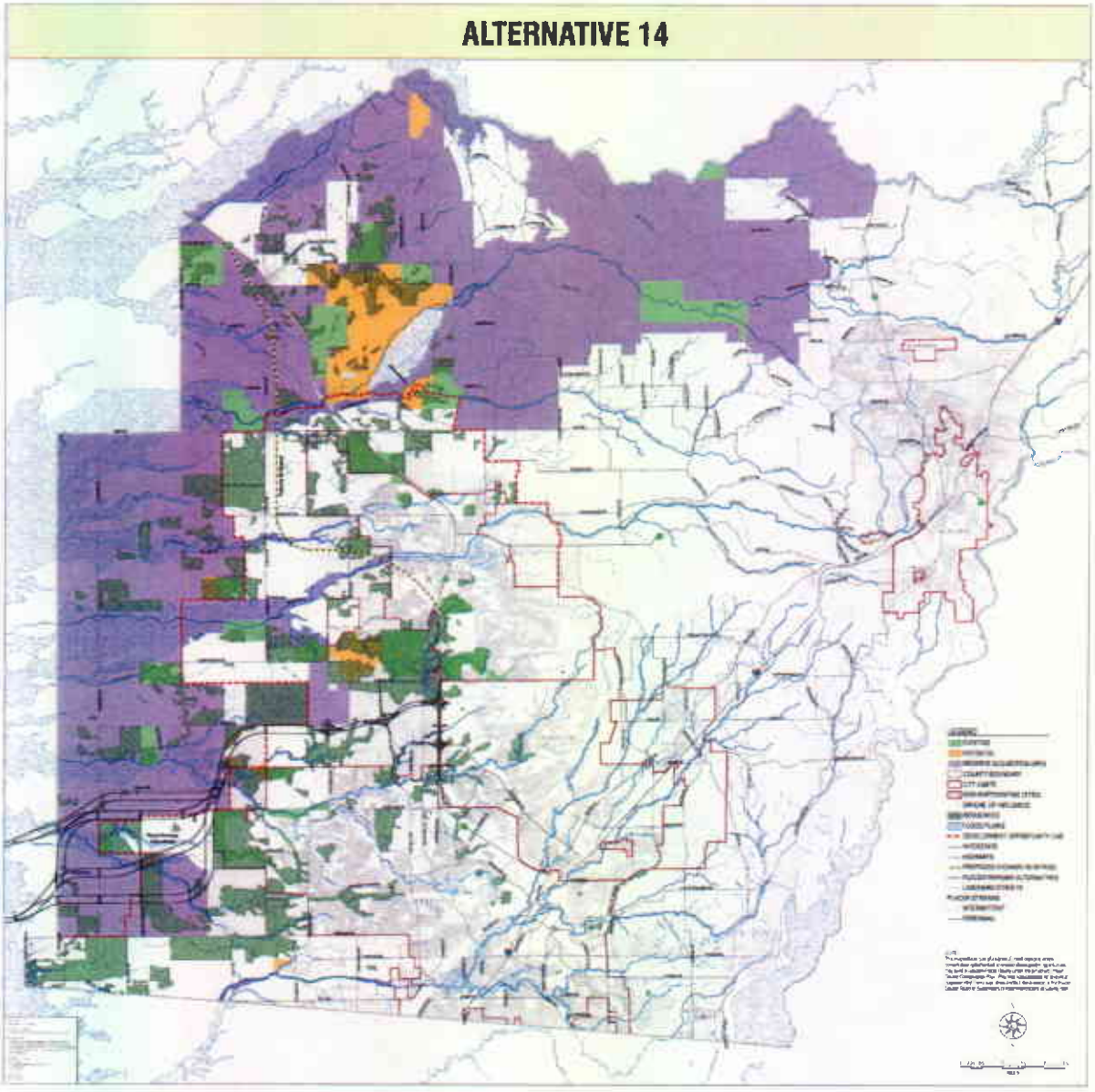
Exhibit A
Reserve Map Alternative 14



Notes:

Areas in white are represent potential future growth

Areas in solid green are habitat areas currently protected

Areas in cross hatched green are existing vernal pool complexes

Areas in orange are proposed for mitigation for habitat impacts

Areas in purple are areas within which the potential PCCP reserve boundary would be identified

Exhibit B

PLACER COUNTY CONSERVATION PLAN
BACKGROUND AND TECHNICAL INFORMATION
BOARD OF SUPERVISORS WORKSHOP
NOVEMBER 20, 2006

Contents:

Figures:

SECTION 1: BACKGROUND

In June 2000, the Board directed the staff to initiate the implementation of the Placer Legacy Open Space and Agricultural Conservation Program. One of the objectives of the program was to prepare a Natural Communities Conservation Plan and Habitat Conservation Plan in three phases. This effort, now referred to as the Placer County Conservation Plan, is nearing completion for the first phase (Figure A). The PCCP is intended to provide 50 years of compliance for the following state and federal regulations:

1. Incidental Take Permit - Federal Endangered Species Act – administered by: U.S. Fish and Wildlife Service (FWS) and National Marine Fisheries Service
2. Natural Communities Conservation Plan - California Endangered Species Act and Natural Communities Conservation Act – administered by: California Department of Fish and Game
3. Section 404 and 401 of the Federal Clean Water Act related to wetlands and water quality – administered by: U.S. Army Corps of Engineers (COE) and the Regional Water Quality Control Board. For the Clean Water Act the process would be for an initial 5-year approval with roll over provisions for the 50-year term.
4. Section 1600 Fish and Game Code - Master streambed alteration agreements – administered by: California Department of Fish and Game (DFG)

Collectively, these permits represent all of the major wetland and endangered species act permits that are required on public and private property.

The PCCP work program is at a critical point with a number of interrelated issues needing resolution in the next few months.

- Many long-range land use planning projects for the County and City of Lincoln are linked to decisions made on the PCCP including the City of Lincoln's General Plan update and the major specific plan approvals including Placer Ranch, Placer Vineyards and Regional University.
- The decisions being made on the mitigation measures for the large specific plans being reviewed by the County will set the stage for future negotiations with the wildlife agencies.
- Major infrastructure planning for a treated water supply and major highway facilities are linked to decisions being made on the PCCP. The wildlife agencies are concerned about the direct impact associated with the construction and maintenance of these facilities as well as the indirect, cumulative and growth inducing impacts of these facilities being constructed.

The preeminent issue is where in perpetuity conservation would occur, and conversely, where growth would be authorized by the State and Federal permits. To address this and other issues raised, the staff has focused the last eight months on developing a draft conservation reserve system map that balances the needs of endangered species and wetlands with a wide range of stakeholder issues.

The resource data that has been collected has been analyzed in a number of different ways in order to identify areas with higher and lower priorities for conservation. The analysis has included an assessment of species "richness" or diversity, proximity to stream corridors, proximity to urban areas, the amount of edge effect, the potential for endangered species habitat to be present and/or restored and a number of other values. Collectively, these assessments have led to the preparation of a range of alternative reserve mapping scenarios. In all cases, the reserve scenarios account for the urban growth that the Board evaluated in earlier discussions in 2004. The growth area boundary assumptions are depicted in Figure B (Note: the PCCP currently only covers growth impacts in the City of Lincoln, including their new proposed General Plan boundaries and the unincorporated area of Placer County.)

SECTION 2: PARTICIPATING AGENCIES

The development of the PCCP includes a number of key partners or participating agencies. These agencies are also requesting regulatory coverage through the PCCP. If the PCCP is approved each agency will have obligations to satisfy the mitigation requirements of the PCCP for the impacts that are generated within their jurisdiction or as a consequence of their projects.

The following is a brief status report on the efforts associated with the participating agencies on the PCCP: South Placer Regional Transportation Authority, City of Lincoln and the Placer County Water Agency

South Placer Regional Transportation Authority (SPRTA)

SPRTA is seeking regulatory coverage for direct and indirect impacts to natural resources associated with construction of the proposed Placer Parkway transportation facility. Coverage includes construction and maintenance for a high-speed regional transportation facility connecting SR 65 in west Placer County to SR 70/99 in south Sutter County. The approximate 18-mile facility will be sited in a varying 500'- to 1,000'-wide corridor. As a participating agency in the proposed PCCP, SPRTA will ultimately be issued regulatory permits for, among others, 1) ground disturbance activities, 2) indirect impacts associated with fragmentation of existing resources, and 3) cumulative impacts associated with implementation of the Placer Parkway facility project.

SPRTA has been involved in the development of the PCCP for a number of reasons including: regulatory coverage for the project in advance of project development, additional flexibility on route selection, resolution of growth inducing impacts, and a higher degree of regulatory certainty as the project moves forward to route selection and construction.

City of Lincoln

The most notable update regarding the City of Lincoln's participation is the completion, by the City, of its General Plan EIR, Policy document and draft land use diagram. This General Plan Update defines the amount of growth and the resulting impacts that are anticipated in western Placer County. Along with the County, the City's growth has the greatest impact on the western County landscape and has the greatest need for comprehensive regulatory coverage. Working with City staff, the County has developed a range of alternative reserve

mapping scenarios that are intended to balance the growth objectives of the City with the regulatory requirements of the wildlife agencies.

Placer County Water Agency (PCWA)
PCWA is seeking regulatory coverage for indirect impacts associated with the future construction, operation, and maintenance of PCWA water supply facilities required to meet the needs of residential, commercial, public facility, and industrial construction within the County of Placer and City of Lincoln. This coverage includes the Sacramento River Water Diversion project as well as future potential projects required to meet the growing water needs of the region.

SECTION 3: REGIONAL "LEDPA"

One of the key elements of the PCCP is to identify a reserve system-mapping alternative that can be considered the "least environmentally damaging practicable alternative" (or LEDPA) for purposes of avoiding impacts to federally-regulated wetlands.

If the PCCP reserve system can meet the federal guidelines of a regional LEDPA, a more comprehensive wetland-permitting program would be issued to the County, creating a savings in time, an increase in certainty, an increase in PCCP utility, and an assurance that wetland resources are protected in perpetuity within the reserve system.

Status Quo - For individual projects the mitigation for wetland impacts are made on a case-by-case basis by the Army Corps of Engineers independent of the County's discretionary decision-making. Because the Corps has a narrow focus directed towards the avoidance and minimization of wetland impacts there can be conflict with the County's focus that addresses a number of issues including economic, land use, and fiscal cost/benefits to the County. The determination of the LEDPA by the Corps is also a lengthy process that adds both time and costs to a given project, often after local approvals have been made.

With the PCCP - With an approved PCCP, the County has an opportunity to change the scale of review from individual projects to the entire landscape of the PCCP Phase 1 boundary. Under this concept, the next 50-years of predicted impacts to wetlands would be considered by the Corps at one time as opposed to individually reviewing the multitude of wetland-impact projects the Corps would review over that 50-year time frame. The PCCP reserve system must show that sufficient wetland acreage has been avoided and protected within a landscape that is permanently conserved. In addition to avoidance of wetlands within the reserve area, it will be necessary to develop new storm water management standards (i.e., Low Impact Development standards) in order to account for the loss of the treatment capabilities of native wetlands. Lastly it would be necessary to insure that our major stream corridors are protected from incompatible encroachment though the use of buffers and setbacks.

The regional LEDPA is an untested concept nationally but it is believed to be the best possible option to provide for statutory compliance with both the federal Endangered Species Act and the Clean Water Act, while at the same time providing for streamlined permitting. The staff for the Corps and U.S. EPA have been supportive of the development of this

concept and their ongoing support is essential if this is to be successful. Additionally, both Corps and U.S. EPA management have been briefed on this approach and strongly support our efforts.

Failure to design the PCCP reserve map alternative as a regional LEDPA will result in a decrease in streamlining and overall PCCP utility. Predominantly, large projects with significant quantities of wetland impacts would be required to apply for federal permits as they typically do, receiving none of the permit streamlining benefits a regional LEDPA offers. The importance of obtaining a regional LEDPA cannot be overstated. Proceeding with a PCCP reserve design that can function as the LEDPA is an essential component of the PCCP.

SECTION 4: PCCP RESERVE MAP ALTERNATIVES

On June 1, 2005 the County received comments from the wildlife agencies (DFG, FWS and NOAA Fisheries) on an "agency review draft PCCP". One of the key issues raised in the agencies' correspondence was the need for a conservation reserve system map that specifically depicted where impacts are anticipated and where conservation and mitigation would be established and managed. Since June of 2005, County staff and the consultant team have been engaged in a lengthy discussion on a range of reserve map alternatives with a number of stakeholder interests.

Initially County staff prepared a ranking system to identify areas where high resource values were evident based upon a number of values that could be identified and weighted using the County's GIS system. This analysis was developed in an open forum with stakeholders and resource agency personnel having an opportunity to comment on the content of the analysis. The product was a map (Figure D) that depicts the ranked values of the western Placer County landscape. This map and various alternatives of this map provided the foundation for a reserve design – helping staff and the consultant team to identify key regions where resource conservation would be prioritized. Once this basic understanding was developed, the boundary of a potential reserve system needed to be identified.

A number of factors needed consideration in order to prepare a reserve system map:

1. Anticipated growth between now and 2050 in the unincorporated County and the City of Lincoln – this determined the amount of impact anticipated
2. Regulatory requirements of the wildlife agencies for each of the covered species
3. Regulatory requirements of the Clean Water Act.
4. Avoid and minimize impacts on federally-regulated waters throughout the phase 1 boundary.
5. Provide the necessary habitat conditions to sustain and contribute to the recovery of populations of the covered species.
6. Provide for adjacency to existing permanently protected habitat areas
7. Insure long-term viability (e.g., proximity and amount of urban/suburban interface)
8. Address the location of the Placer Parkway alternatives and the selected route for S.R. 65

9. Address the status of numerous large land development projects (e.g., Placer Vineyards and Placer Ranch)
10. Address the status and location of the proposed expansion of the City limits of Lincoln associated with the City's General Plan Update

A total of 14 alternatives were prepared by County staff (with additional minor iterations of 3 of these alternatives). In addition, stakeholders also prepared their own versions including one that was prepared by environmental stakeholders, one prepared by major landowner/developer interests, and three were prepared to reflect the anticipated requirements of the wildlife agencies and the COE/EPA. The following is a summary of the key alternatives:

Alternatives 1-3 – Initial alternatives prepared by County staff
Alternative 4 – Prepared by environmental stakeholders
Alternative 5 – Prepared by major landowner/developer working group
Alternatives 6-8 – Prepared with input by the wildlife agencies and COE/EPA
Alternatives 9 & 10 - Modifications prepared by County staff
Alternatives 11-14 – Incorporates modifications recommended by the City of Lincoln

Each of the alternatives is depicted in Technical Report #3. A summary of the impacts and the conservation potential for 9 of the alternatives is described in the report. The variations in the alternatives lies almost entirely on the Valley floor in order to address impacts to vernal pools.

The development of the alternatives has been a balance between a number of important factors. In order to issue a permit for the covered species, it is necessary for the wildlife agencies to be assured that the conservation plan can be funded and successfully managed over time. Otherwise, status quo regulations would represent a more viable option as imperfect as that option is. For property owners/developers, the PCCP should represent a more streamlined approach to comply with regulations with results that are more certain, consistent and predictable. An added benefit would be reduced costs due to shorter turn around times for permits or less acreage being required for mitigation. For the environmental stakeholders the plan should provide greater conservation assurances than status quo and insure that the recovery objectives for the species can be achieved. Lastly, the agricultural stakeholders are concerned about their ability to continue to farm or if they elect to not farm, to insure that their basic property rights are not eroded.

Because of these often-competing concerns it does not appear to be possible to pick a reserve system map that fully satisfies or guarantees the interests of all stakeholders. There is simply not enough land in western Placer County to satisfy the interests of all key stakeholders. Each alternative has its flaws and each has its benefits. After much deliberation with each of the key stakeholders, the City of Lincoln, the wildlife agencies, and with the biological stakeholder-working group, it is apparent that no single alternative is going to represent a compromise that all parties can comfortably support. Instead, it is going to be necessary for the Board of Supervisors and the other participating agencies to identify the best alternative that is likely to succeed in final negotiations that will follow with the wildlife agencies and the various stakeholder groups.

The Planning Department has developed an alternative that has the potential to serve as such a compromise. Alternative 14 (Figure E) seeks a balance between growth and conservation in the western portion of the Phase 1 boundary. The Alternative was prepared to insure that the County's major specific plan projects (i.e., Placer Vineyards, Regional University and Placer Ranch) and the City of Lincoln's General Plan growth areas would receive regulatory coverage through the PCCP. Infill developments would also receive regulatory coverage in the County and City of Lincoln. This alternative is also intended to address the impacts of the Placer Parkway project as well as the interests of PCWA related to the Sacramento River Diversion. For purposes of conservation and regulatory compliance, the Alternative provides in excess of 1:1 conservation of key resources and has the potential for both restoration and additional conservation once details on specific areas are further refined.

SECTION 5: FINANCIAL ANALYSIS

The work program for the PCCP includes the preparation of a financial analysis that will provide the Board and other participating agencies with the options for financing the implementation and ongoing management of the PCCP and its associated protected lands. Previously, the Board has been provided with a fiscal impact analysis (Technical Report #1) and a financial alternatives analysis (Technical Report #2) that respectively address impacts to the County as it implements the PCCP and the various financial options available in order to fund land acquisitions and manage the program over time.

This discussion and the attached report examines three reserve maps in order to determine if there is a significant cost variability between very divergent protection alternatives.

Background

At its January 24, 2006 status review of the proposed Placer County Conservation Plan, the Board requested staff to provide the costs of implementing and managing the PCCP. Staff has yet to present a preferred reserve map alternative for the PCCP, in order to provide the Board with information on the estimated cost of program implementation, three reserve map alternatives were selected for the analysis.

Reserve Map Alternatives Selected for Analysis

The balance between impacts to vernal pools and conservation of vernal pools drives the reserve design more than any other characteristic. The growth that is anticipated between now and 2050 is largely along the edge of the valley floor where vernal pool grasslands are located. As a consequence, the variations in reserve design are largely associated with avoiding or conserving these resources. The upper watershed or foothill areas are largely unmodified for each alternative because it is assumed that the impacts to upper watershed resources can be accommodated in any of the 3 alternative designs.

Each alternative represents a different approach to establishing a reserve design (Figure C). The selected alternatives include Alternative 3b (a minor modification to Alternative 3), Alternative 5 (prepared by the landowner/developer group) and Alternative 6 (the greatest amount of conservation). Each alternative reserve map is depicted in Exhibit E with summary information about preservation versus impacts at 2050.

Alternatives 5 and 6 reflect two opposite configurations of potential reserve designs. Alternative 5, prepared by the landowner stakeholder group, emphasizes resource restoration in the Valley and provides a mechanism for land acquisition and restoration including a large area of land in Sutter County west of Lincoln. Resource conservation of existing habitat areas is not the focus of Alternative 5. Conversely, Alternative 6, prepared by staff to reflect an alternative that the resource agencies would fully permit, emphasizes resource conservation in the PCCP planning area and minimizes restoration in the Valley. The third alternative, 3b, falls in between the land conservation emphasis of Alternative 6 and the restoration focus of Alternative 5. All three alternatives have similar reserve configurations for Foothill lands.

Notwithstanding their limitations, conducting the cost analysis with these alternatives will provide the Board with information on how the layout of a reserve design affects implementation costs. The results of this analysis will provide the Board with information on the policy implications of selecting a preferred alternative with a similar reserve design structure.

LEDPA

Resource agency staff have indicated that proceeding with a reserve design similar to Reserve Map Alternative 5 would not result in the issuance of a LEDPA determination (see above) because wetland resources are not adequately avoided. Wetlands could be created at a landscape scale but the 404(b)1 guidelines require avoidance in order for a project (in this case the PCCP) to be the LEDPA. It is likely Reserve Map Alternative 3b would similarly not be a LEDPA alternative but additional analysis would be required to make that determination. Proceeding with a non-LEDPA reserve design would not provide the County with the full suite of regulatory coverage that we have sought through this effort.

Financial Analysis Model

Using the three reserve design alternatives to identify the amount of resource preservation potentially available, standards for mitigation were applied to each alternative to generate the amount of land required to mitigate for the areas of resource impact. The same mitigation standards were used for each alternative.

Because the ultimate configuration of the reserve design is the primary factor driving the final mitigation standards for the PCCP it is not possible to predict these standards absent identifying the final preferred alternative. The standards used for this analysis represent staff's assumptions about the existing regulatory environment. These assumptions were based upon real world experiences as well as projections about future conditions. The financial analysis is a flexible tool and the assumptions can be modified if new or updated information becomes available. The final standards will reflect the outcome of future discussions with the regulatory agencies based upon the final preferred Reserve Design alternative.

The cost analysis prepared for these three alternatives estimated the costs associated with mitigation for "take" associated with lands conversion to accommodate growth. These cost estimates do not include the costs of the public conservation component. In this, they are different from the cost estimates presented in February 2005.

It is important to note that all three alternatives accommodate the same amount of population and employment growth in the County through 2050. The primary difference within each alternative is the footprint available for resource conservation compared to the footprint available to accommodate the future growth. It should be noted that the larger reserve area defined for Alternative 6 would leave less land available for urbanization in the PCCP planning areas (unincorporated Placer County and the Lincoln Planning Area.). The smaller amount of land set aside for development in Alternative 6 would not necessarily mean smaller amounts of population and employment growth. The same amount of population and employment growth could be accommodated in West Placer with a combination of the following: relatively minor adjustments to the density of new development and higher density infill development in the I-80 Corridor, and Roseville, Rocklin, and Lincoln. The density and infill adjustments are well within the policy objectives set forth in SACOG's Blueprint scenario for accommodating regional growth and are similar in nature to the type and form of development that the County is seeing with its specific plans and recent projects in Roseville and Lincoln.

Table 1 provides background information on the acreage breakdown of all 3 reserve map alternatives.

TABLE 1
Estimates of PCCP Acres for Local Mitigation

Year 2050	Alternative 3b	Alternative 5	Alternative 6
Acres Acquired/Under Management	41,321	45,724	38,574
Acres Restored/Created	8,515	13,021	6,230

NOTE: Acres restored/created are included in acres acquired and under management. Restoration or creation results in a change in ecosystem type, such that acres of one type are acquired and, after restoration/creation, those acres are eventually under management as another type.

One-Time Costs

The analysis yielded some surprising similar results – largely attributable to variations in the cost of land and the varying cost of differing restoration activities. Table 2 provides a summary of the one-time costs (acquisition and restoration costs) for each of the three alternatives.

TABLE 2
Estimates of PCCP One-time Costs through 2050 (2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Land Acquisition	$ 1,039,000,000	$ 894,000,000	$ 954,000,000
Restoration	115,000,000	134,000,000	110,000,000
Contingency (10%)	115,000,000	103,000,000	106,000,000
Total One Time Costs	**$ 1,269,000,000**	**$ 1,131,000,000**	**$ 1,170,000,000**

NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.

Ongoing Costs

Overall, there is a 15 percent difference in on-going annual costs among the reserve map alternatives. On-going annual costs range from $6.8 million per year under Reserve Map Alternative 6 to $7.8 million per year under Reserve Map Alternative 5. Reserve Map Alternative 3b falls in the middle of the range. The difference is attributable to the total number of acres under PCCP management and the number of acres restored. Both are highest under Reserve Map Alternative 5 and lowest under Reserve Map Alternative 6.

Many program administration costs are assumed not to vary among the alternatives, since all result in management of roughly similar amounts of land (40,000 – 45,000 acres). Other management costs are a function of the number of acres managed or restored, so these components of management costs vary a small amount among alternatives. By 2050, the average on-going cost per acre is about $200 per acre managed, under Reserve Map Alternative 3b and Reserve Map Alternative 5. Costs under Alternative 6 are a bit lower ($180 per acre managed) because this alternative would have the smallest amount of restored land (requiring more costly management and monitoring).

Table 3 provides a summary of the ongoing costs incurred annually at the year 2050.

TABLE 3
On-going Cost Summary (Local Mitigation in 2050)
(annual cost in 2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Cost Category			
Program Administration	$ 599,000	$ 599,000	$ 599,000
Land Management	3,923,000	4,500,000	3,723,000
Restoration Management	631,000	631,000	631,000
Monitoring, Research, and Adaptive Mngmt.	1,690,000	1,828,000	1,650,000
Contingency (3%)	205,000	227,000	198,000
TOTAL	**$ 7,048,000**	**$ 7,785,000**	**$ 6,801,000**
Acres Managed (cumulative total)	**41,321**	**45,724**	**38,574**
Acres Restored (cumulative total)	**8,515**	**13,021**	**6,230**

On-going Cost per Acre Managed

Cost Category	Alternative 3b	Alternative 5	Alternative 6
Program Administration	$ 14	$ 13	$ 16
Land Management	$ 95	$ 98	$ 97
Restoration Management (per acre restored)	$ 74	$ 48	$ 101
Monitoring, Research, and Adaptive Mngmt.	$ 41	$ 40	$ 43
Contingency (3%)	$ 5	$ 5	$ 5
TOTAL[1]	**$ 200**	**$ 200**	**$ 180**

[1] This total is not the sum of the detail because it is calculated by dividing total costs in the first part of the table by total acres managed. Therefore, it averages restoration costs over all acres managed, not just over acres restored. The line item above for restoration management cost per acre is calculated based on restored acres only.

Land Dedications

The one-time costs in this analysis factor in the cost of acquiring land in today's real estate market; however, many of the land owners proposing projects in west Placer County have already purchased the lands they will propose to dedicate to satisfy their project's mitigation requirements. These lands were may have been purchased at lower costs than those described in the financial model. When this factor is considered in the cost analysis, the one-time estimated costs of the PCCP drop approximately 30% ranging from $780 to $838 million for the three alternatives (see Table 4).

TABLE 4

Estimates of PCCP One-time Costs through 2050 (2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Land Acquisition	$647,000,000	$575,000,000	$604,000,000
Restoration	$115,000,000	$134,000,000	$110,000,000
Contingency (10%)	$76,000,000	$71,000,000	$71,000,000
Total One Time Costs	**$ 838,000,000**	**$ 780,000,000**	**$ 785,000,000**

NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.

Conclusions

In conclusion, all 3 alternatives yield similar costs for ongoing and one-time costs, i.e., approximately $1B for one time costs and $7M for annual or ongoing costs. These are costs borne by the beneficiaries of this program, predominantly private land development interests; not Placer County or the other participating agencies. Consequently, the County should determine which reserve alternative meets our partner's economic development, conservation, and regulatory goals and select that alternative rather than one based solely upon cost.

SECTION 6: RESERVE MAP ALTERNATIVE SELECTION

In order to proceed with the preparation of the PCCP it is necessary to focus on a single reserve map alternative for a number of analytical tasks including the preparation of an EIR/EIS, the finance plan and to further refine the balance between conservation, mitigation and restoration/enhancement. While a number of reserve map alternatives will continue to be reviewed in order to comply with CEQA/NEPA and Clean Water Act requirements, it is necessary to focus the work program on a single map. A significant commitment of time and money is still involved in the PCCP and it will be necessary to focus the assessment on a reserve map that has the greatest likelihood of being successful for regulatory, scientific and political considerations.

Reserve Map Alternative 14 (Figure E) represents a map that the staff believes serves as the best starting point for formal negotiations with the wildlife agencies and stakeholders. A number of characteristics of this map need to be noted:

- If approved, this map would provide regulatory coverage for all three of the specific plans under review by Placer County including the Placer Vineyards Specific Plan, the Placer Ranch Specific Plan and the Regional University Specific Plan.
- The map seeks a balance between the City of Lincoln's proposed General Plan and the requirement for the City to mitigate impacts to wetlands and endangered species over time. The City was directly involved in the discussions on the development of this and many of the earlier reserve mapping alternatives.

- This map sets aside the preparation Curry Creek Community Plan at least until such time that the PCCP is complete (2 years) and/or indefinitely depending upon the outcome of negotiations with the wildlife agencies.
- The map provides for connectivity between the northern portions of the reserve system (Sheridan area and to the east) and the westerly and southerly portions of the reserve area.
- The map does contain a significant amount of urban edge that intrudes into the reserve area. This characteristic will be of concern to the wildlife agencies.
- There are fragmented or isolated areas of conserved lands that will be of concern to the wildlife agencies due to a lack of connectivity and the challenge of maintaining such areas over time.
- The amount of vernal pools avoided and wetlands in general may not be sufficient to be considered the least environmentally damaging practicable alternative without additional preservation of wetland areas than is currently depicted on the map.
- Blue oak woodland conservation is focused on the Garden Bar/Big Hill area where existing acquisitions provide the foundation for early compliance.

Of the issues listed above, the need to develop a reserve system map with minimal urban interface and the need for additional vernal pool avoidance (and other wetland avoidance) are the two most critical issues that will need to be resolved over the next couple of months in order to move forward.

SECTION 7: NEXT STEPS/TIMELINE

Staff has met, and will continue to meet, with Wildlife Agency staff, property owners, environmental interests, agricultural interests and other stakeholders in order to prepare a public review draft PCCP that is responsive to agency comments and still reflective of stakeholder concerns.

If the Board elects to direct the staff to proceed with negotiations on Reserve Map Alternative 14 the final elements of the work program can proceed. In the short term the following steps are anticipated:

- Continue to negotiate with key stakeholders including those landowners who have shown an interest in assisting with the identification of potential reserve areas
- Complete the preparation of a range of prioritized reserve area maps including the identification of core reserve areas that build on existing preserves and potential new preserve areas
- Develop consensus on the conservation strategy with the state and federal agencies, participating agencies and stakeholders
- Obtain Board and participating agency authorization to proceed with the selected reserve map
- Prepare a revised PCCP and supporting documents

There are additional policy-level decisions dealing with the broad choices and options and key components of the various documents that must be approved in order for the program to proceed towards implementation. There will be opportunities for key stakeholders and the

public to review the program and provide comment. It is anticipated that some of these decisions would be considered concurrently.

SECTION 8: TECHNICAL REPORTS

The following technical reports are provided for additional background documentation on fiscal and financial issues related to the PCCP:

1. Local Government Impacts of the Placer County Conservation Plan, August 2005 - this report, prepared by Hausrath Economics Group, addresses a range of fiscal and financial issues related to the potential impacts on local government if the PCCP was implemented and how these impacts can be offset through a finance plan.

2. Preliminary PCCP Finance Plan Discussion, July 2005 - this memorandum, prepared by MuniFinancial, provides background information on funding alternatives for the PCCP.

3. Summary of Reserve Map Alternatives, November 2006 - this summary provides a figure of each reserve map alternative and the associated acreage summary information.

Figure A
PCCP Phase 1 Boundary

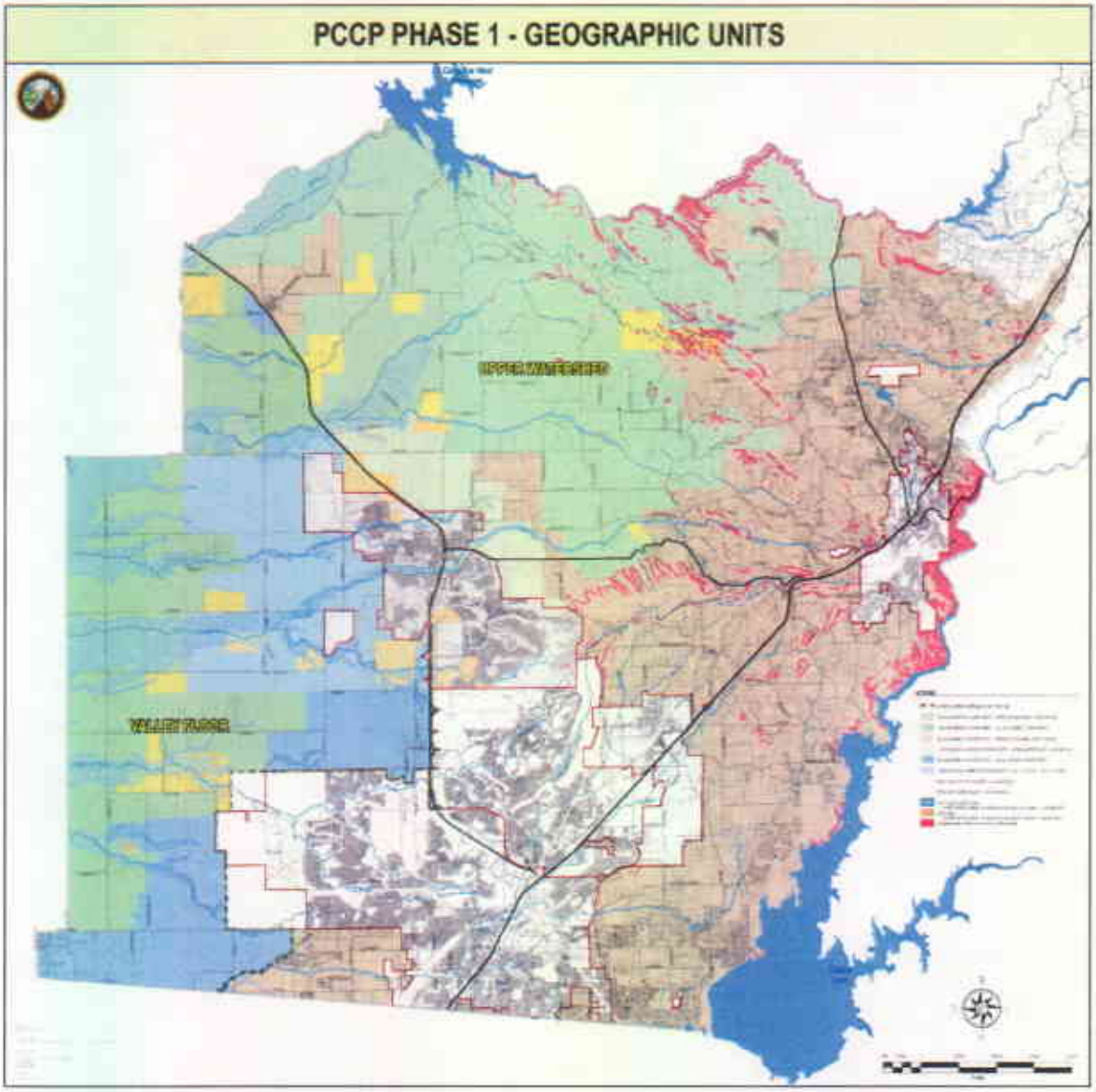


Figure B
Phase 1 PCCP Growth and Conservation Opportunities

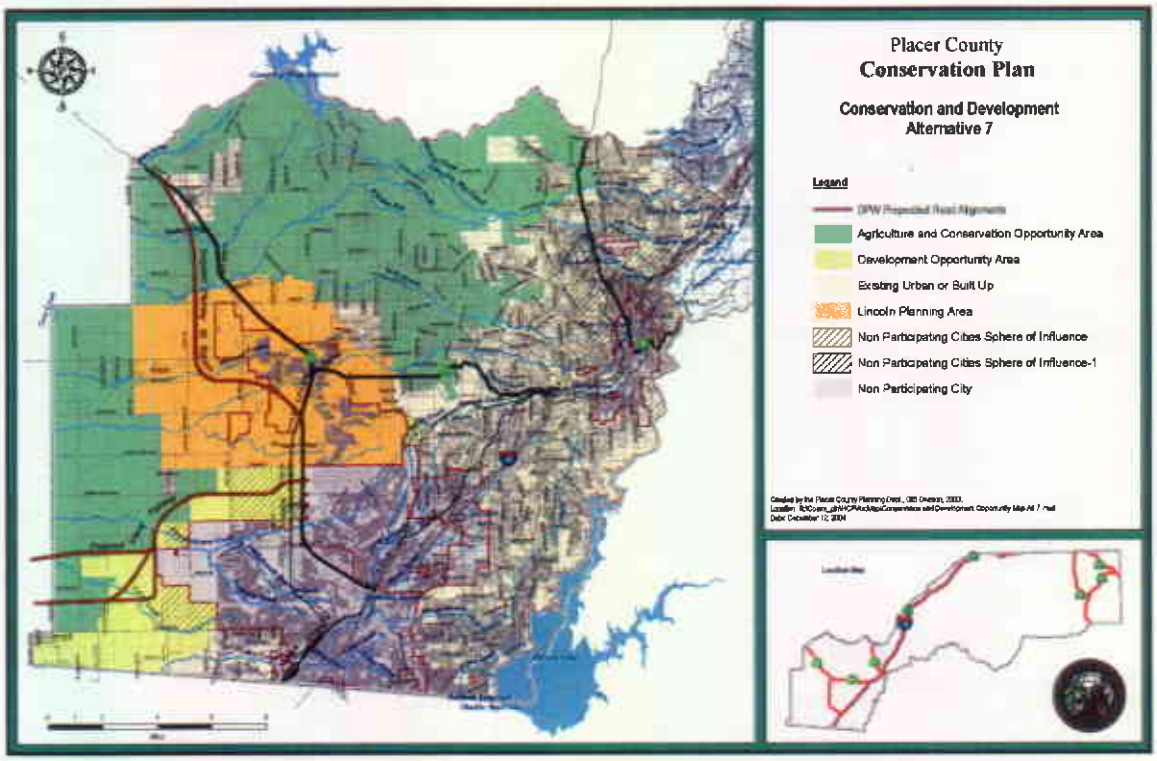
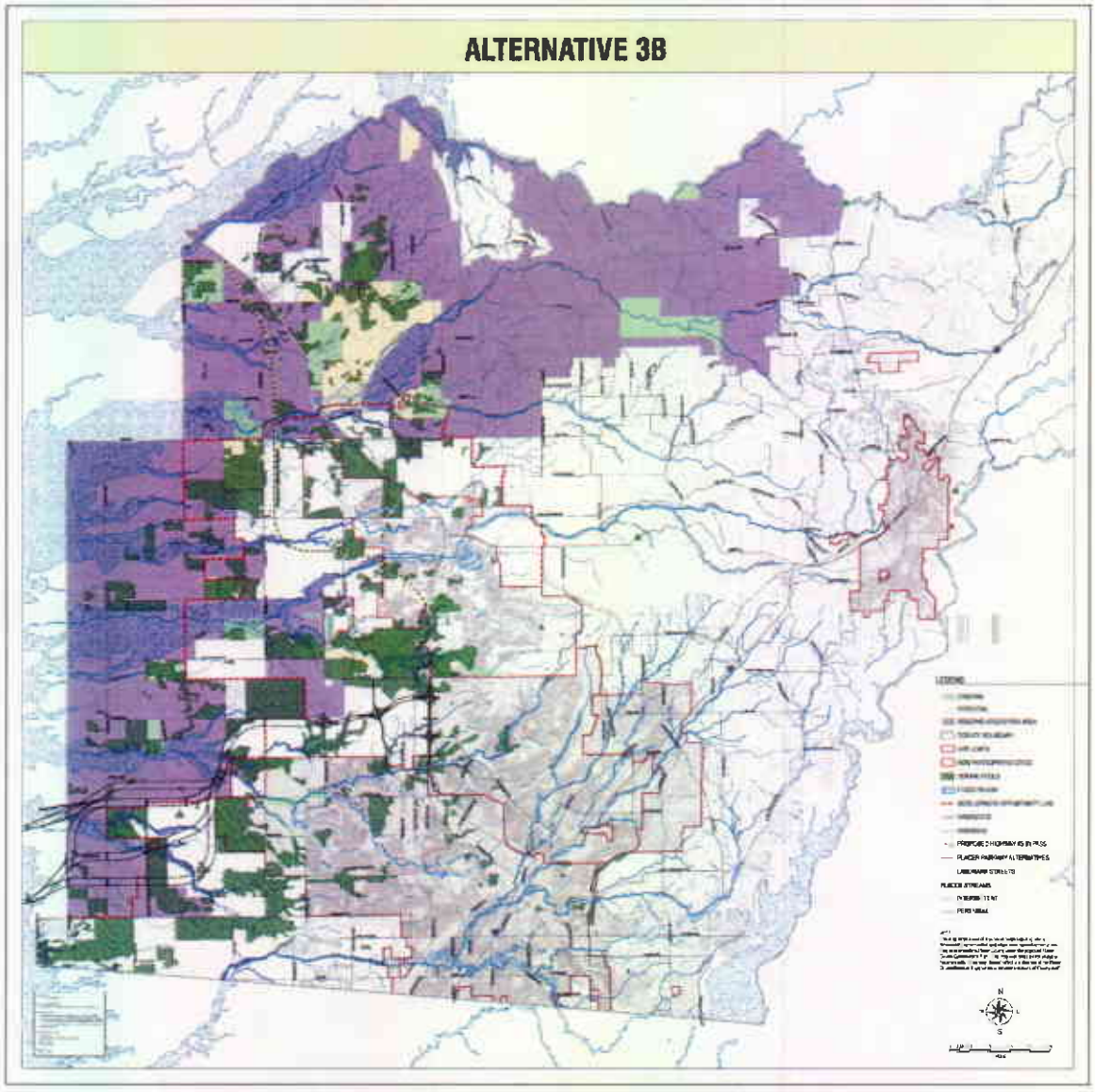
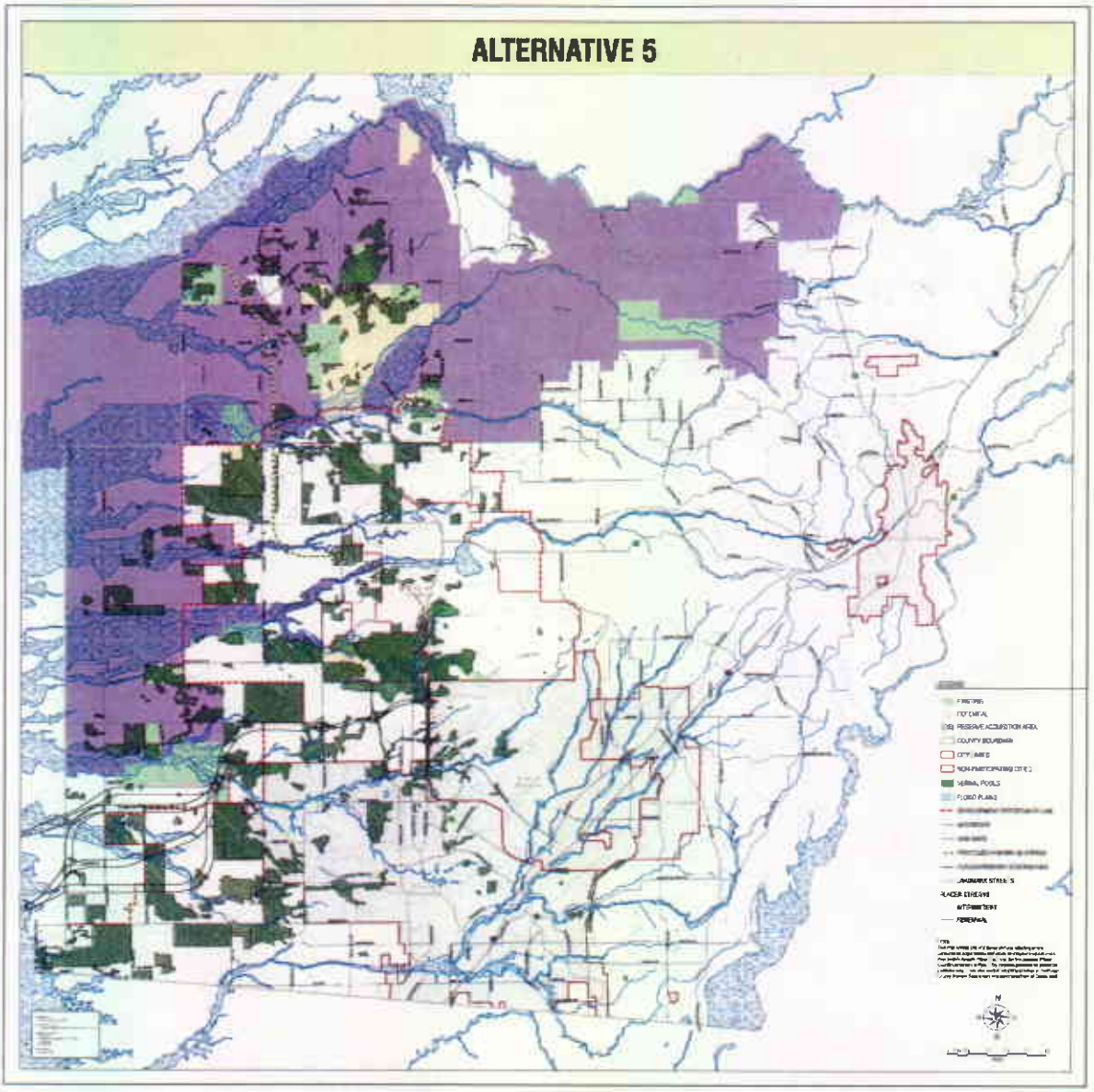


Figure C
Reserve Alternative 3b, 5 and 6



ALTERNATIVE 5



ALTERNATIVE 6

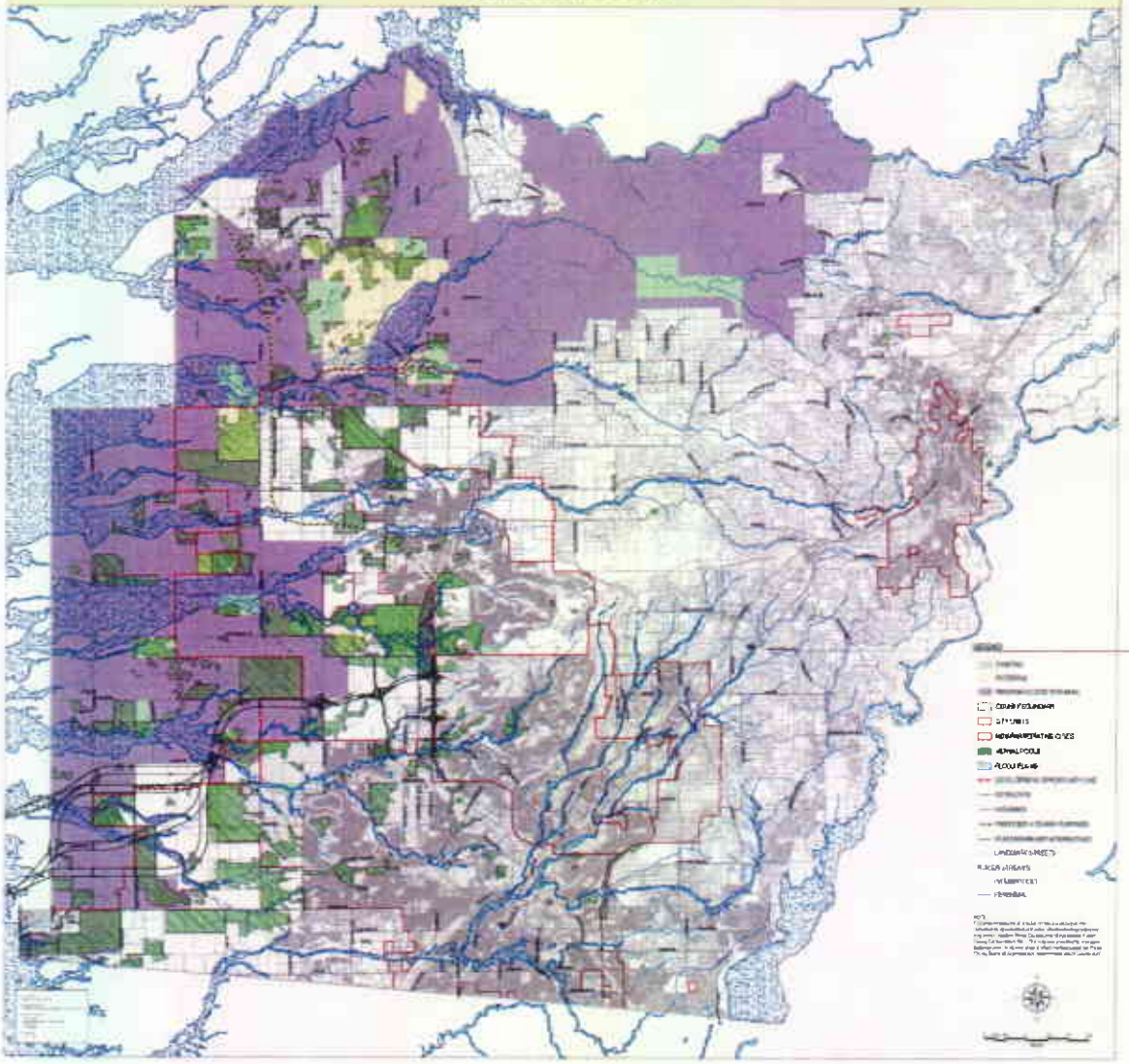


Figure D
Prioritized Conservation Areas

The darker the color, the higher the conservation value. Black and gray areas are of low to very low conservation value.

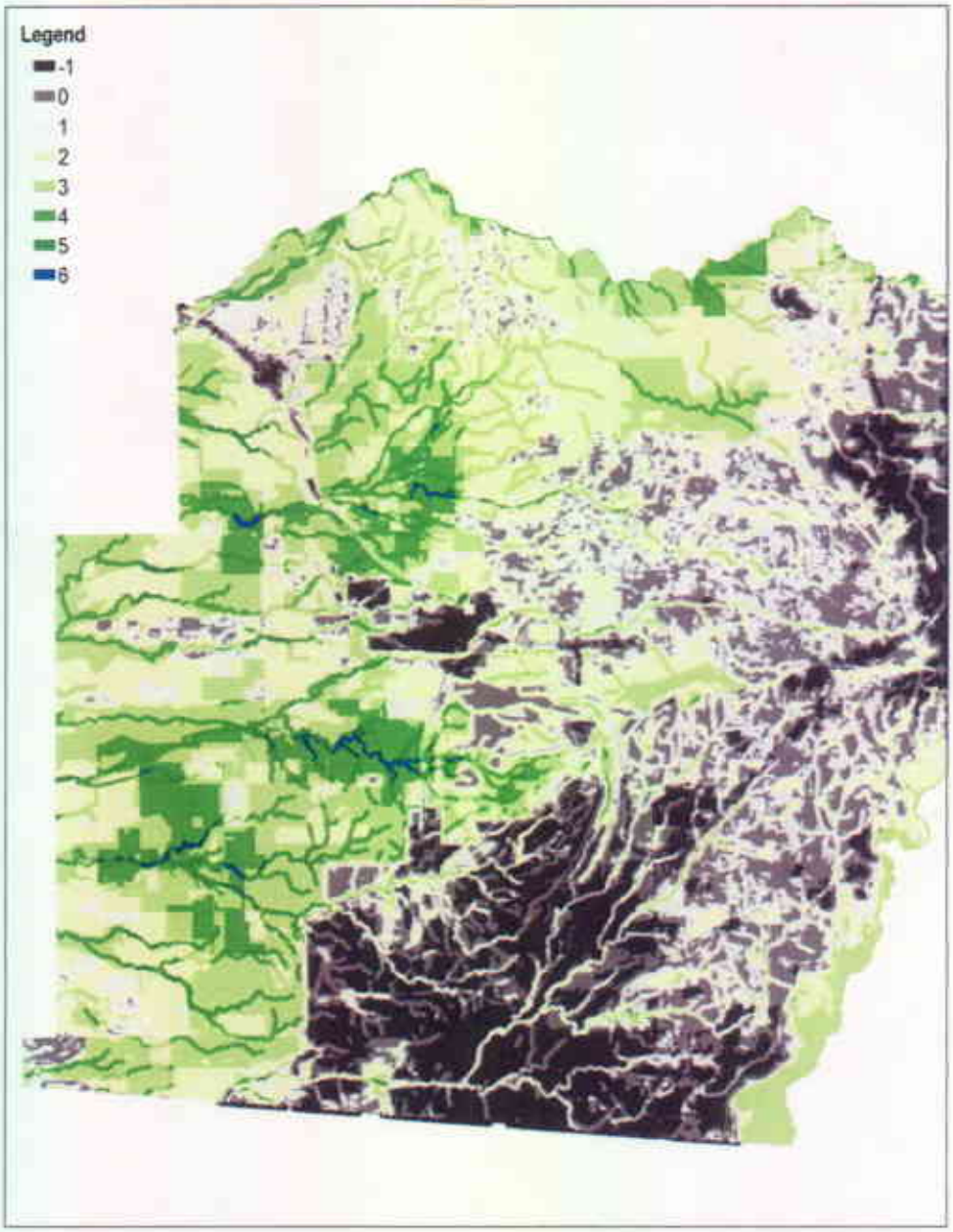
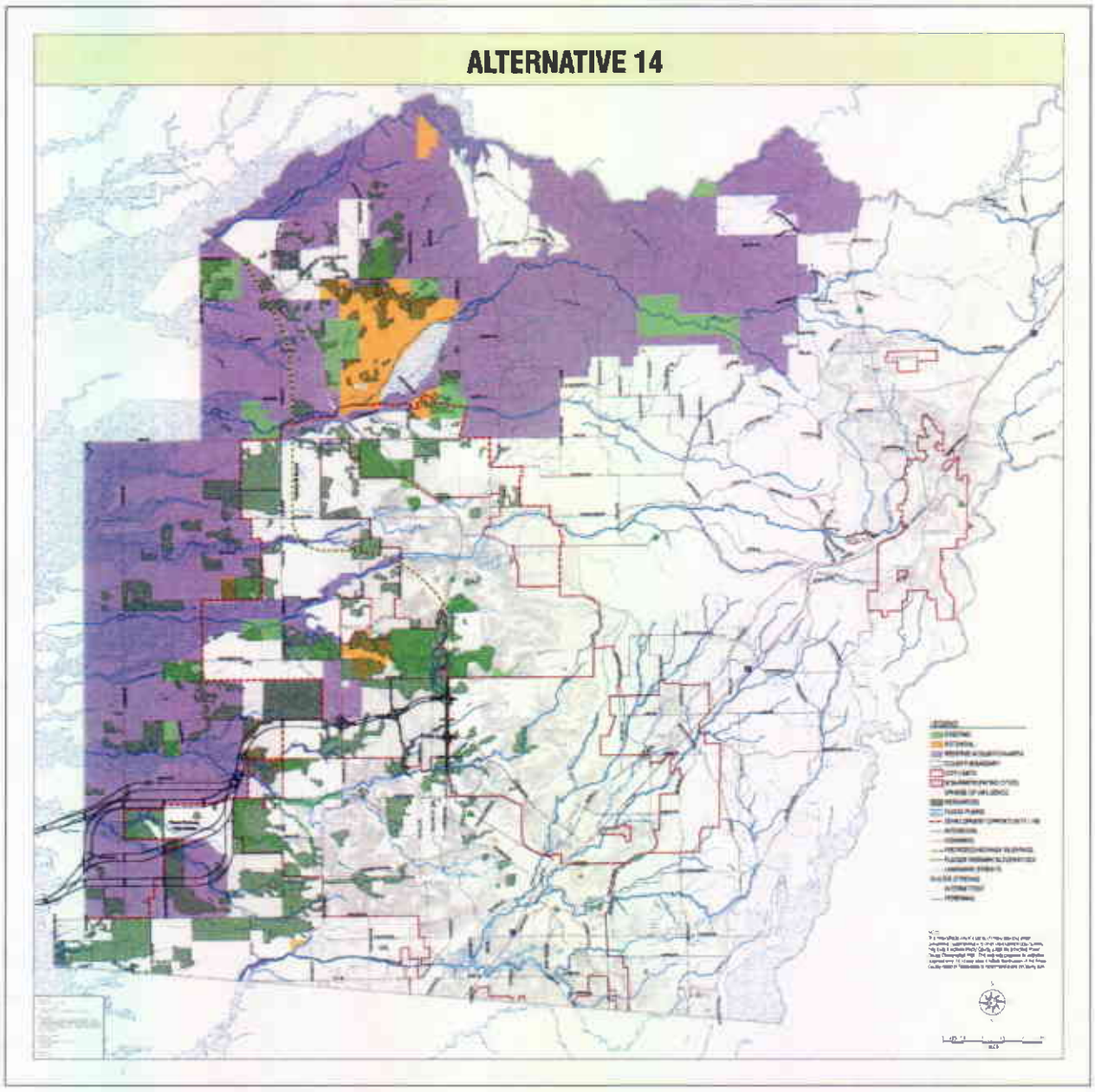


Figure E
Phase 1 PCCP Reserve Map Alternative 14

Areas in white are expected to emphasis growth
Areas in solid green are habitat areas currently protected
Areas in cross hatched green are vernal pool complexes
Areas in orange are proposed for mitigation for habitat impacts
Areas in purple are areas within which the reserve boundary would be identified



Report #1

Local Government Impacts of the Placer County Conservation Plan (Hausrath Economics Group, 8/12/05)

HAUSRATH
ECONOMICS
GROUP

LOCAL GOVERNMENT IMPACTS OF THE PLACER COUNTY CONSERVATION PLAN

A Draft Report to

THE COUNTY OF PLACER

Prepared by

HAUSRATH ECONOMICS GROUP

August 12, 2005

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LOCAL GOVERNMENT IMPACTS OF THE PLACER COUNTY CONSERVATION PLAN

INTRODUCTION

This report examines the impacts of the proposed Placer County Conservation Plan (PCCP) on local government, focusing on how changes in the permitting process for new development would affect local government roles and responsibilities, local government costs and revenues, and local economic development and housing affordability objectives. The report evaluates direct impacts on Placer County's General Fund—the primary source of discretionary county government spending—as well as indirect impacts that would follow as a consequence of any implications of the PCCP for economic development, housing development, and population and employment growth. The report includes discussion of how the proposed PCCP would affect the feasibility of new development and the amount and pace of development in the County. The report concludes by evaluating the proposed PCCP in the context of other infrastructure investments to accommodate growth, the value of projected new development, and the local land market.

In all of these evaluations, the conclusions depend on the underlying comparison. The impact of the proposed PCCP is defined by comparison to a baseline condition—referred to as "*status quo*" or the existing regulatory environment. The impact of the PCCP is **not** the impact of requirements that land development and related public projects consider threatened or endangered species and their habitats in project planning and compensate for potential losses sustained by species and habitats. Those requirements are already enforced in Placer County through local, state, and federal planning, environmental review, and permitting processes. The PCCP would replace these multiple processes with a simplified, comprehensive permitting process, centralized at the local government level. The PCCP would also designate a public agency implementing entity to acquire and manage reserve lands. Under the existing regulatory environment, mitigation land would be required, but no central authority would control long-term trusteeship and management of that land. The impact of the PCCP, therefore, is the **difference** in local government costs and revenues attributable to:

- replacing existing planning and permitting processes related to species and habitat and
- establishing a public agency implementing entity to oversee reserve acquisition, management, and monitoring, as well as overall PCCP compliance.

The next section of this report outlines the basis for 1) the difference between the PCCP and the existing regulatory environment and 2) the difference between proposed PCCP implementation and the case-by-case mitigation that would continue if the PCCP were not adopted. Evaluation of impacts for local government follows the description of the framework for the analysis.

FRAMEWORK FOR ANALYSIS

Understanding what the PCCP would mean for the development process

Identifying the impacts of the PCCP requires a baseline against which to make the comparison. As noted above, the comparison is **not** between habitat conservation planning and associated

requirements and the **absence** of such planning, but between the existing regulatory environment in Placer County and what would be expected after implementation of the PCCP.

Figure 1 compares planning and permitting under the *status quo* without the PCCP to planning and permitting under the PCCP and also identifies responsibilities for mitigation obligations. For each permitting scenario, the check marks indicate what would be required of land development proponents under each regulatory regime, from pre-submittal local planning requirements through environmental review, state and federal requirements, local entitlement processing, and construction and post-construction activities.

Many of the steps in the process would be required in either case. The local planning process for pre-submittal documentation for general plan amendments or tentative map subdivisions would not change under the PCCP. Planning surveys for environmental resources, wetlands assessments, and CEQA environmental review would be require for general plan amendments and tentative map subdivisions. Where significant biological resources were identified, pre-construction surveys, plans for take minimization, and construction monitoring would be required under the PCCP as under the existing regulatory environment. Similarly, incidental take avoidance measures would be required in any case to protect site-specific resources.

The differences would be in the process to obtain state and federal permits. The *status* quo imposes substantial costs (both financial resources and time) on project proponents to mitigate impacts to endangered species and their habitats. Under the PCCP, one locally-issued permit and the aquatic resources letter of permission (CARP permit) would replace five separate state and federal permits. Under the PCCP, after evaluation of existing resources, mitigation obligations would be satisfied by land dedication and/or payment of fees. There would be no need for negotiations and review by multiple local, state, and federal agencies. Compliance with the PCCP would also reduce the effort and time required for environmental review, since mitigation for impacts to species and habitats would be satisfied through PCCP compliance, rather than case-by-case review, comment, and negotiation.

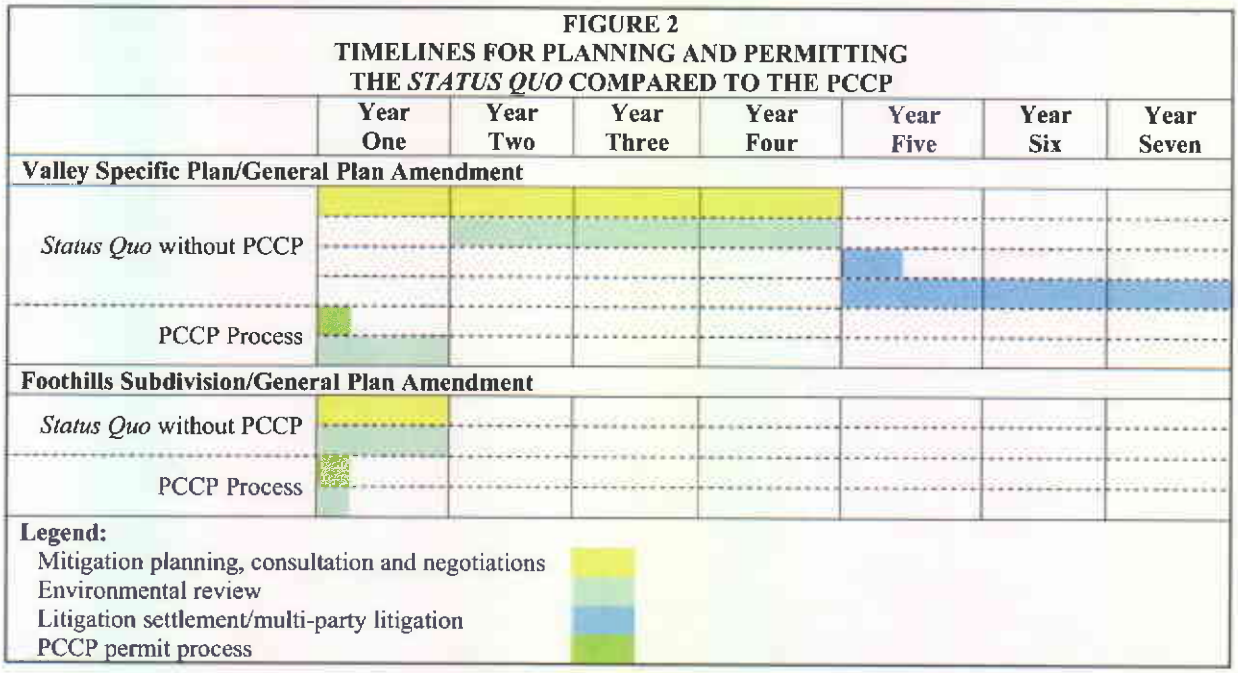
Another significant difference between the *status quo* and the proposed PCCP revolves around the cost to project proponents associated with litigation, liability, and uncertainty. Because of the complex set of existing state and federal laws and regulations, litigation over impacts to species and habitat has become a well-used and often successful tool in efforts to shape the amount, location, and configuration of new development in the Sacramento region. Implementation of the PCCP would reduce the threat of litigation because the inclusive planning process has incorporated potential litigants as stakeholders. Fulfilling PCCP requirements through land dedication and fees would also absolve individual project proponents of responsibility for post-construction monitoring and remediation, liability for meeting biological goals and objectives over the long term, and mitigation for future new listings or habitat designations. PCCP compliance would transfer those liabilities and responsibilities to the PCCP implementing entity, along with funding to discharge those obligations.

FIGURE 1
CHECKLIST FOR ILLUSTRATIVE LAND DEVELOPMENT PROPOSAL
THE *STATUS QUO* COMPARED TO THE PCCP

	***STATUS QUO* NO PCCP**	**PROPOSED PCCP**
PLANNING & PERMITTING PROCESS		
Pre-Submittal		
Predevelopment	√	√
Tentative Map	√	√
Specific Plan	√	√
General Plan Re-zone	√	√
Environmental Review		
CEQA - Environmental Review	√	√
NEPA - FONSI (for CWA Section 401/4 related impacts)	√	
Planning surveys for biological resources	√	√
State/Federal Requirements		
Wetlands assessment	√	√
California Endangered Species Act (CDFG)	√	
Section 1600-1616 Streambed Alteration Agreement (CDFG)	√	
Federal Endangered Species Act Section 7 (USFWS and NOAA Fisheries)	√	
Federal Clean Water Act (Section 404) - Individual Permit or Nationwide Permit for Wetland Fill (USACE)	√	
Regional Water Quality Control Board for Federal Clean Water Act (Section 401) - Water Quality Waiver/Certification	√	
PCCP Permit		√
CARP Permit/Letter of Permission		√
Entitlement Processing		
Placer County Tree Permit	√	
Grading Permit	√	√
Construction/Post Construction		
Pre-construction surveys	√	√
Plan for take minimization	√	√
Construction monitoring	√	√
Exposure to litigation	√	
Post construction monitoring & remediation	√	
MITIGATION OBLIGATIONS		
Incidental take avoidance (take minimization)	√	√
Land dedication / in-lieu fee	√	√
Purchase of mitigation credits	√	**Obligations of the PCCP**
Restoration, creation, and enhancement and performance monitoring	√	
Monitoring (biological monitoring of reserve system)	√	
Mitigation required for new listings or subsequent critical habitat designations (no surprises)	√	
Liability for meeting conservation goals and objectives	√	

Figure 2 provides a graphic illustration of the potential differences in time required for the planning and permitting process under the *status quo* and under the proposed PCCP. Timelines are illustrated for major Valley development projects that normally require a multi-year planning and environmental review process due to numerous issues in addition to species and habitat concerns, as well as for more simple residential subdivisions in the Foothills. In both cases, replacing the *status quo* with a predictable, consistent, equitable, and streamlined permitting process would significantly reduce the time required to obtain state and federal permits; would reduce the scope of environmental review, comment, and response related to species and habitat issues; and would potentially eliminate time-consuming litigation. These time savings translate to cost savings: lower holding costs, planning costs, and legal costs. Moreover, development financing would likely be more readily secured if the uncertainty surrounding interpretation and imposition of state and federal endangered species requirements could be resolved early on through a PCCP permit.

FIGURE 2
TIMELINES FOR PLANNING AND PERMITTING
THE *STATUS QUO* COMPARED TO THE PCCP



Understanding what the PCCP would mean for local government roles and responsibilities

The PCCP would designate a public agency or joint powers authority of participating agencies to take responsibility for creating the PCCP reserve system, implementing mitigation and conservation strategies, and undertaking long-term stewardship of PCCP reserve lands. From the perspective of local government, this is would represent a substantially greater role in implementing the intent of state and federal species and habitat laws and regulations than is the case under baseline conditions. The PCCP implementing entity would be directly involved in administration and oversight of the PCCP permitting process, reserve acquisition and management, and biological monitoring. The implementing entity would have significant financial management responsibilities as well.

The PCCP would allow for partnerships with entities that are already in the business of acquiring and managing land for habitat and open space resources, albeit in an *ad hoc* way. State and

federal agencies, private nonprofit land trusts, and individual local governments or public agencies could own and manage land that was part of the PCCP reserve system. Private mitigation banks could offer mitigation credits for sale that would meet the terms of PCCP compliance requirements. Owners of agricultural lands that were part of the PCCP reserve system could manage their properties in a manner consistent with PCCP biological goals and objectives.

Compared to the baseline situation for meeting the terms of local, state, and federal regulations affecting species and habitat, the PCCP would likely result in a larger reserve system, a new administrative structure, decision-making authority, increased staffing, and new revenue sources for carrying out this comprehensive program. This report assesses the implications of these differences for local government costs and revenues.

FISCAL IMPLICATIONS OF THE PCCP

Fiscal impact analysis evaluates the effects of the PCCP on the Placer County operating budget—on the costs of providing County services and on the revenues available to fund those services. As noted above, the framework for the fiscal impact analysis is that mitigation for impacts to endangered species and habitats is required under both baseline conditions as well as under the PCCP. The difference is how mitigation is accomplished, the scope of the conservation effort, and the local government role in managing mitigation and conservation activities. In addition, conditions under the PCCP would include state and federal support for public conservation efforts—primarily acquisition of reserve lands beyond what would be expected on the basis of mitigation from private development and public projects alone.

Impacts are categorized as direct and indirect. Direct impacts are specific costs and revenues associated with implementation of the PCCP and changes in the revenue base associated with the PCCP reserve acquisition program. Indirect impacts are secondary effects associated with differences in property values over the long term and economic development impacts of the PCCP.

Implementation costs are estimated and are a reasonable reflection of the scale of the land management effort

The annual costs to implement the PCCP include costs to administer the program, manage reserve lands, and monitor progress toward biological goals and objectives. The cost estimates that have been prepared are based on assumptions about staffing and/or contracting needed to accomplish the following: identifying and executing land acquisitions; collecting and managing impact fee and other revenue; preparing applications for state and federal funding; developing annual budgets and financing strategies; preparing reports to wildlife agencies; managing public participation; implementing land management, restoration, and biological monitoring programs; tracking program compliance; and maintaining required records. These tasks would be the responsibility of the implementing entity—a joint powers authority of the Permittees, including Placer County, or, by default, the individual jurisdictions acting separately.

The annual costs are a function of the types of activities required and the amount of land managed. **Table 1** summarizes current estimates of on-going costs in 2005, 2025, and 2050. To begin, at start-up, total costs of about $2.5 million per year average about $700 per acre managed. By 2025, the mid-point of PCCP implementation, it would cost about $200 per acre to

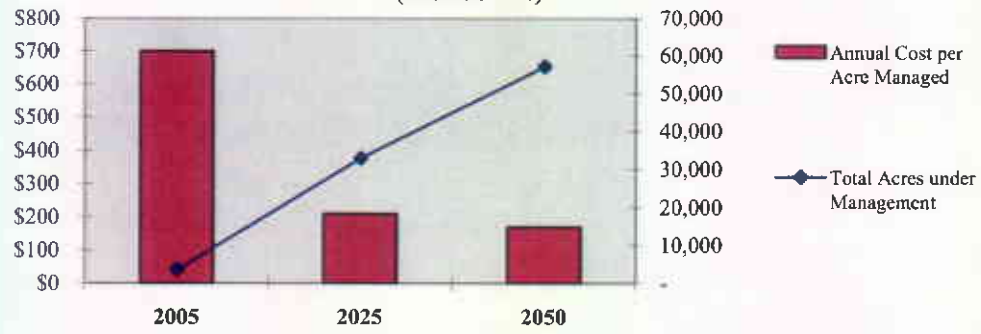
manage PCCP lands. This would amount to about $6.8 million per year when 33,000 acres would be under management. By 2050, per-acre land management costs would be lower (about $170 per acre) and the on-going annual costs to implement the program, including managing 57,000 acres of reserve lands, would be about $9.6 million.

TABLE 1
ESTIMATES OF PCCP ANNUAL ON-GOING COSTS IN 2005, 2025, AND 2050 (2004 dollars)

Annual On-going Costs	**2005**	**2025**	**2050**
Management of Local Mitigation Land	$1,117,000	$3,504,000	$6,865,000
Management of State/Federal Conservation Land	1,407,000	3,273,000	2,702,000
Total Annual PCCP Costs	**$2,524,000**	**$6,777,000**	**$9,567,000**
Acres Under Management			
Local Mitigation Land	1,635	17,511	41,734
State and Federal Conservation Land	2,015	15,450	15,450
Total Acres Under Management	**3,650**	**32,961**	**57,184**
Total Annual Cost per Acre Managed	**$700**	**$210**	**$170**

As illustrated in **Figure 3**, costs increase over time as more reserve land is acquired and more staffing is required to manage program implementation and manage the growing reserve land base. Costs per acre decline over time, however, as the level of activity decreases after initial start-up, acquisition, and restoration are completed and the managing entity gains experience and begins to realize efficiencies and economies of scale.

FIGURE 3
Estimate for PCCP Planning:
Acres Managed and On-going Annual Cost per Acre
2005, 2025, and 2050
(2004 dollars)



The annual costs are the responsibility of the local government implementing entity and cover the costs of staff, contractors, equipment, and overhead. The cost estimates provide for an administrative staff of four to five full time employees and a field and technical staff ranging from 7-10 full time employees in the first ten years of the program to 18 full time employees by the time all reserves are acquired and under management. Costs also cover contractors providing some land management services as well required legal, financial, real estate, and biological

monitoring services. Costs for public safety services provided to reserve lands (law enforcement and fire protection costs) are also included in PCCP budget.

Although a financing plan has not been determined, these costs are expected to be funded by covered activities and other new funding sources. The details of the PCCP financing plan will determine the extent to which PCCP costs might ultimately require some commitment from the Placer County General Fund.

Long-term costs are uncertain but appear appropriate when compared to costs incurred by other land management entities

Estimating the costs of a complex program such as the PCCP involves numerous assumptions and the use of average cost estimating factors for a variety of administrative, land management, and monitoring activities. The costs estimates for such a long-term planning program are by nature not precise; adding a significant contingency factor provides a hedge against underestimates. The estimates are nevertheless subject to evaluation to indicate their utility and validity for the purposes of program and financial planning.

Research conducted for the PCCP cost analysis indicates that the resultant estimated average annual costs per acre managed are valid estimates for planning purposes. Operating costs for agencies that manage open space lands are sensitive to the number of acres managed and the degree of public access and recreational use as well as the degree of habitat management obligations. For five Bay Area open space and/or park districts that own and manage from 3,100 to 94,500 acres, annual operating costs ranged from $1,500 per acre to $168 per acre. Documentation reports for two other multi-species habitat conservation and natural communities conservation planning efforts in California estimate on-going management costs at $157 per acre (for 56,000 acres in Riverside County) and $123 per acre (for 31,000 acres in Contra Costa County).

[**Note to reviewers:** Some time ago (January 2005), I discussed management cost factors with Mary Dietrich at Facility Services and provided her with cost factors and cost model documentation to review, as well as County park inventory sheets for organizing actual cost data. I did not receive a response. It would be good to include some comments from Facility Services in this report.]

Costs for some implementation activities could escalate, and other implementation strategies could serve to reduce costs or generate offsetting revenues

The detailed cost estimating exercise conducted for the PCCP provides up-front insights into aspects of program implementation that might require more resources than estimated. The process of acquiring reserve lands is one area in particular where there might be extraordinary costs associated with any protracted negotiations or complicated real estate transactions. Other areas of concern regarding potential sources of on-going cost escalation are financial management and providing adequate financial reserves to cover remedial measures indicated by adaptive management findings or changed circumstances.

By contrast to the *ad hoc*, case-by-case mitigation program currently in place, however, the PCCP provides the additional capacity to generate offsetting revenues and implement generalized land management policies to minimize on-going public agency cost exposure.

Income-generating agricultural operations could continue on much PCCP reserve land, either through leaseholds or by re-selling easement-encumbered land back to the private sector. Hunting clubs might also be compatible with some PCCP reserves. These management options available to the PCCP implementing entity would provide a cushion against General Fund exposure. Furthermore, one-time fees or annual assessments on covered activities to fund PCCP management costs could be set to cover costs of public safety services to PCCP reserves, thereby reducing what would otherwise be a General Fund obligation.

A balanced financing plan will limit exposure of the Placer County General Fund

The PCCP permit holders will be responsible for ensuring that mitigation is accomplished for private development activity and public projects, and that funding sources are adequate to manage and monitor conservation lands and conservation activities in perpetuity. The PCCP financing plan must identify funding sources and financing mechanisms that will cover the one-time costs associated with local mitigation and public conservation, as well as on-going costs for land management and plan administration. The financing plan will identify and estimate revenues new revenue specific to the PCCP, such as habitat mitigation or development impact fees, special taxes, or benefit assessments, in addition to state and federal funds and plan-generated revenues such as lease revenue. The intent throughout the planning process has been to design a financing plan that does **not** rely on existing County General Fund revenues.

This can be accomplished by adhering to the following principles:

- Allocate local mitigation costs to private and public development in proportion to impacts
- Adjust mitigation or impact fee amounts to keep pace with changes in costs
- Accept appropriate dedication of reserve land
- Assess on-going costs to covered activities using a combination of impact fees for an endowment, annual assessments, or special taxes
- Include mitigation cost obligations in project budgets for County-sponsored covered activities and seek to cover these costs through new revenue sources (e.g., include PCCP compliance costs in facility cost estimates used to derive countywide capital facilities fees and traffic impact fees, and earmark funds from a proposed transportation sales tax to cover habitat mitigation costs)
- Pursue new broad-based special revenue sources to fill funding gaps
- Maximize private management of conservation lands through grazing and other agricultural leases, re-sale of easement-encumbered conservation land, and partnership with conservation banks, mitigation banks, and other potential land management partners such as the Placer Land Trust
- Encourage state and federal acquisition and management of public conservation lands

The PCCP offers advantages in cost sharing and cost allocation

One of the significant benefits of the PCCP over *status quo* conditions for mitigating impacts to species and habitat would be the ability of the public agency implementing entity to tap diverse sources of public funding. This is evident in state and federal agency commitments to the public conservation component of the PCCP. Placer County has been successful to date in competitive funding for both land acquisition and planning funds offered by state and federal sources,

attracting over $5.2 million in state and federal grant funds. Accounting for 40 percent of total costs to date, this outside funding has leveraged local sources to achieve natural resource goals and objectives that might otherwise languish for lack of funding. State and federal dollars have funded planning and acquisition for both Placer Legacy and the PCCP. Because a comprehensive approach to habitat planning and protection has broadly recognized benefits to species, natural communities, and the general public, allocations of state and federal taxpayers dollars are available. This type of cost sharing is not possible with individual players acting in isolation.

Furthermore, the PCCP has the potential to be a vehicle for allocating the costs of habitat conservation more broadly, both over time and over a more diverse local funding base. The public financing mechanisms outlined in the financing options memorandum could have several cost benefits. Public debt financing would allow up-front land acquisition, limiting the impact of land value escalation over time on overall costs. Other forms of public financing would allow costs to be spread over time and over a broader funding base, thereby reducing the up-front obligations of land developers. In some plans, a portion of local mitigation cost is explicitly assigned to taxpayers more generally. The rationale for a broader cost allocation can be compelling:

- Existing development has contributed to the decline in habitat values and the need for species listings and should bear some of the cost associated with species conservation and recovery efforts.
- Many of the quality of life and economic benefits associated with large-scale habitat conservation accrue generally to all residents, businesses, and visitors.
- Spreading some of the costs beyond new development benefits the consumers of new development: newcomers (both residents and businesses), as well as those moving within the county—especially the new households formed by children of existing residents and older households seeking more manageable housing options.

The PCCP and baseline conditions would result in similar outcomes for the property tax revenue base

Acquiring existing and potential future development rights in land to preserve its natural resource values results in result in changes to otherwise expected local government revenues derived from the property tax and real property transfer tax (documentary transfer tax). The mechanisms for these changes are the same under both the PCCP and baseline conditions for protecting the natural resource values of land in perpetuity. The PCCP, however, would most likely result in a larger reserve system and more reserve land transactions. In the following description of consequences for the property tax revenue base, the PCCP is presumed. Similar changes in land status and in the tax base would occur under baseline conditions.

The characteristics of source lands for reserves and the management and use options for reserve lands influence the outcome for the property tax revenue base

The PCCP reserve system would be built by transferring land or some of the rights associated with land to the PCCP implementing entity or appropriate partner. The magnitude of the impact on local public revenue would depend on the specific conditions of the land transferred, as well as on the subsequent disposition and use of that reserve land.

Figure 4 outlines the changes in land status occurring over the course of PCCP implementation that would influence local public revenues derived from property tax and property transfer tax. The source of PCCP reserve land is expected to be privately-owned land designated for agricultural use in the *Placer County General Plan* and zoned for agricultural use. Much of the PCCP reserve land is currently used for agricultural purposes—as cropland or grazing land. PCCP reserve land would be acquired by a public agency (the PCCP implementing entity or any one of its constituent agencies, state government, or federal government) or designated private nonprofit partner. Acquisition of fee title interest in the land (all of the rights of land ownership) or an easement interest (a portion of the bundle of rights of land ownership) would occur as the public agency or private, nonprofit partner accepted dedications from private landowners of fee title interest or easements or purchased those interests.

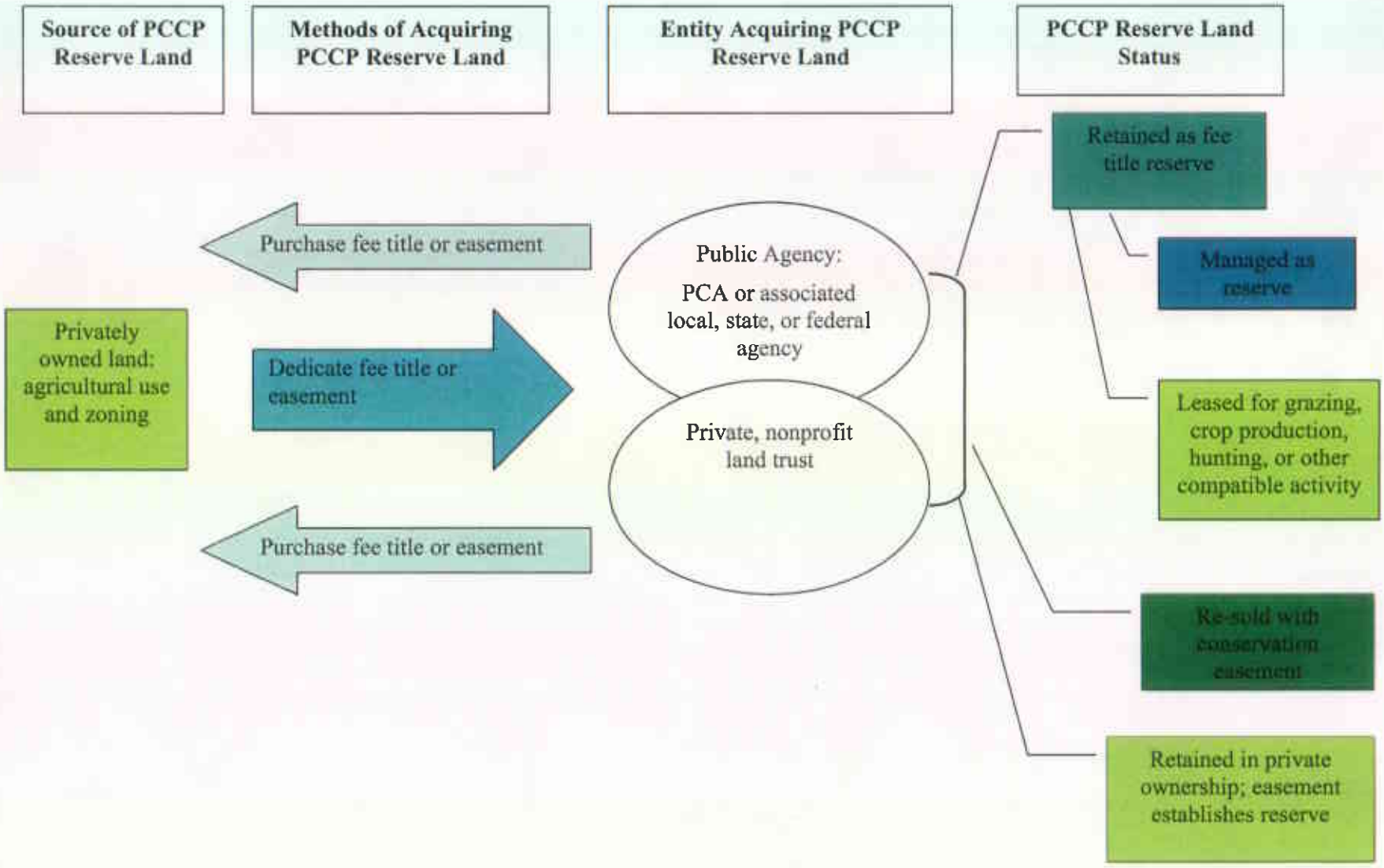
Subsequently, as illustrated in **Figure 4**, there would be a number of options for reserve land. Reserves owned in fee title could be retained in public agency or private nonprofit ownership and managed as reserve land without any revenue-generating activity. Alternatively, those lands could be leased to private operators for grazing, crop production, hunting, or other business enterprise compatible with the reserve. Lands acquired in fee title could also be sold back to the private sector for agricultural or other compatible use, after a PCCP reserve easement were placed on the title. Lands from which PCCP reserve easements were acquired would remain in private ownership, with use restricted by the terms of the easement.

Such transactions would change the status of the reserve land for the purposes of property tax assessment. Interests in property—fee title or less-than-fee title—that are transferred from private ownership to public or private nonprofit ownership become exempt from property taxes. (Property held by a private nonprofit entity registered as a 501(c)(3) organization qualifies for tax-exempt status under the welfare provisions on the Revenue and Taxation Code, assuming the entity maintains its qualifying mission and the property is used in a manner consistent with that mission.) On the other hand, income-producing activity, such as crop production, grazing, or hunting, conducted by leaseholders on publicly-owned or otherwise tax-exempt land, would be taxable as a possessory interest and assessed on the basis the income generated by the activity.

The magnitude of the difference in property tax revenue otherwise expected would therefore depend on both pre-reserve characteristics of the property and the status of the property as part of the PCCP reserve system. **Figure 5** illustrates the important considerations.

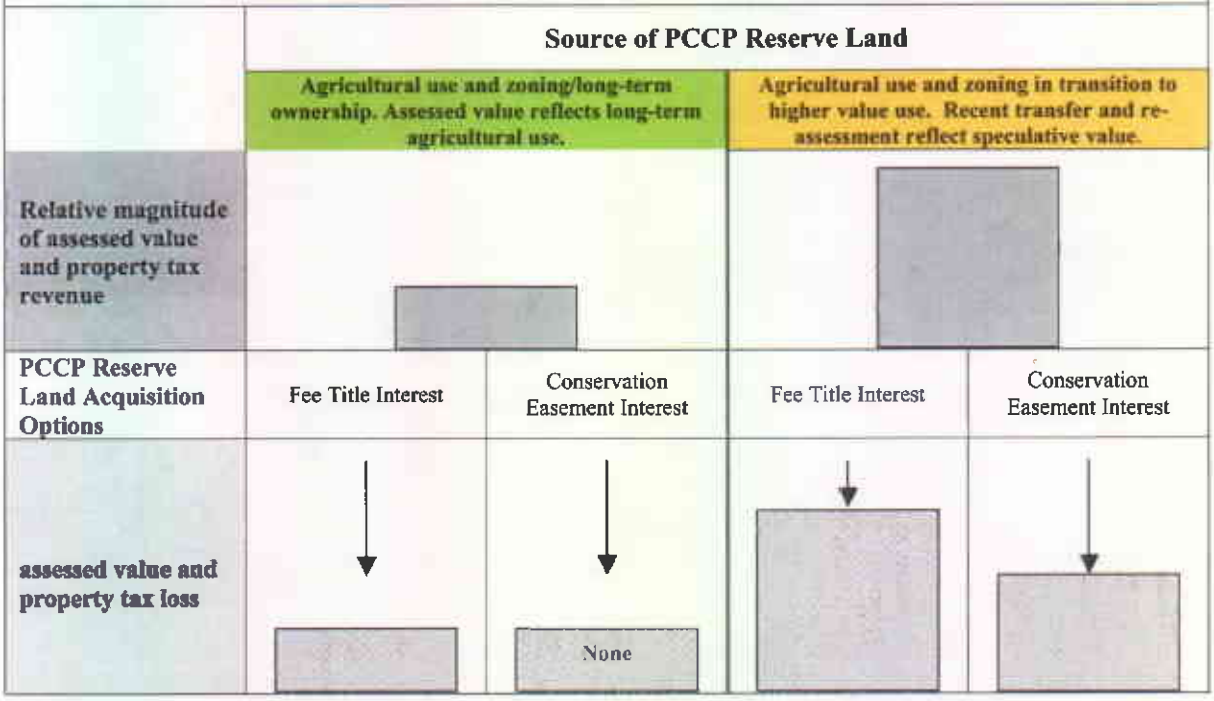
For likely sources of PCCP reserve land, there would be two primary pre-reserve distinctions. In the first instance, the potential reserve land would be agriculturally-zoned land in long-term agricultural use and ownership. The assessed value of this land would be relatively low, reflecting its long term agricultural use and the absence of recent sales transactions that would trigger re-assessment. The second case of potential reserve land would be agriculturally-zoned land in transition to a higher value use, evidenced by a recent sales transaction at a value substantially higher than justified by agricultural income. The assessed value of this property would be higher than that of the first property; re-assessment at the time of the recent sales transaction would account for the speculative value evident in the sales price.

FIGURE 4
CHANGES IN LAND STATUS TO CREATE PERMANENT CONSERVATION RESERVES



Transfer of fee title interest in either of these properties (by dedication or by purchase) to the PCCP reserve system (public agency or private nonprofit ownership) would result in the full loss of the property tax revenue otherwise flowing from the property. The revenue loss would be greatest for the property already in transition, where recent private transactions reflected some speculative value. The initial revenue loss might not be very great for property that had been in long-term agricultural use and ownership. That loss would be magnified over the longer-term, however. An opportunity cost of the transfer to the PCCP reserve system would be the loss of potential revenue increases attributable to property turn-over and speculative land acquisitions that might otherwise be expected sometime in the future in areas that have long-term strong growth potential.

FIGURE 5
FACTORS INFLUENCING CHANGES TO THE PROPERTY TAX REVENUE BASE



These revenue losses would be offset by introducing leasehold interests or other compatible revenue-generating rights on properties that remained in public agency or private nonprofit ownership. Leasing reserve property for agricultural operations (crop production or grazing) or hunting or other compatible activity would result in assessment of those possessory interests. In these cases, the loss of property tax revenue would be limited to the loss associated with speculative value, either already evident in recent transactions, or potential in the absence of a resource protection program such as the proposed PCCP.

Transfer of a conservation easement for either of these properties would reduce the loss of property tax revenue. Fee title interest would remain private and, therefore, taxable. For the property in long-term ownership, restricting the property to agricultural use in perpetuity by means of some form of easement would not make any difference in the basis of the property for the purposes of property tax assessment. Initially, there would be no change in property tax

revenue flowing from this property. The longer-term opportunity cost of removing the potential for future turnover and speculation would remain, however. Attaching a reserve easement to the higher-value speculative property would result in some initial loss of property tax revenue, as the fee title interest remaining in private ownership would be reassessed at the lower agricultural production value.

Mitigation banking is another option for meeting reserve needs that does not reduce the property tax revenue base

Mitigation banks could be established in Placer County to satisfy some of the PCCP reserve needs. One of the first mitigation banks in the state was established in Placer County; all of the credits created at that bank have been sold to satisfy project compliance requirements for impacts to wetlands and oak woodlands. The newer Orchard Creek conservation bank continues to offer vernal pool preservation credits. Such privately-owned or privately-operated mitigation banks generate property tax revenue. Creating reserves for the purpose of selling mitigation credits results in property tax assessment as new construction. The assessed value declines as the mitigation credits are sold; technically, that value is transferred to the developing property that benefited from the purchase of the credits. Until all mitigation credits are sold, this treatment of mitigation banks can result in a substantial increase in assessed values and property tax revenues compared to a property's pre-bank status.

The PCCP would have an indirect impact on local public revenue

The implications of the PCCP for economic development are described in the following section. Generally, compared to the *status* quo, the PCCP would enhance opportunities for sustainable economic growth. There would be indirect fiscal benefits as a result.

Over the long term, the benefits of an enhanced development climate and a regional preserve system resulting in higher environmental quality would be likely to translate to higher property values and property tax revenues as well as more public revenues associated with visitor spending than would be the case under baseline conditions. A more efficient permitting process would reduce delays in the development process so that public revenues associated with new development would be realized sooner than would otherwise be the case. The multiplier effect of higher levels of state and federal spending in Placer County would also contribute to higher levels of local public revenue.

IMPLICATIONS OF THE PCCP FOR ECONOMIC DEVELOPMENT IN PLACER COUNTY

The PCCP would generate economic development benefits for Placer County

The species and habitat issues facing new development in Placer County are not unique to the County. These same regulatory requirements are faced by land development activities throughout the market area. In fact, recent analyses of proposed critical habitat designations for vernal pool species identified costs in Sacramento County far exceeding those identified in Placer County. In this complex regulatory environment, the PCCP would represent a comprehensive solution to thorny issues, thereby enhancing the competitive position of Western Placer locations.

There are a number of other factors--labor force, transportation, and proximity to production inputs and markets that businesses evaluate when comparing location options. Similarly, households evaluate neighborhood factors, commute options, and job opportunities in their housing choice decision, in addition to housing cost and environmental factors. Any advantages attributable to the PCCP would not be significant enough to outweigh advantages of locations offering lower labor costs, a better trained workforce, better transportation systems, proximity to important markets or production inputs, or still lower land, non-residential space, or housing costs. Under the PCCP, however, firms or households facing relatively equal location options on all other factors might choose Western Placer County over other locations that had not resolved regional habitat planning issues in a comprehensive way.

Furthermore, quality-of-life and scenic rural character continue to define Placer County's appeal to many segments of the housing market and to some employers. Because the PCCP would require mitigation for cumulative impacts and the scope of PCCP conservation efforts would extend beyond development-related mitigation, a more extensive and varied reserve system is anticipated than would be achieved under baseline conditions. More of the natural assets that are the basis for attracting population and economic growth to Placer County would be protected, and there would be benefits to environmental quality. In addition, as the regulatory component of the acclaimed Placer Legacy program, the PCCP would extend the economic development impacts of Placer Legacy to the land development process by providing a more consistent and predictable development environment and a streamlined process.

While many other market factors are more significant to the overall pace of development than is planning for species and habitat conservation, it is likely that the development process would become increasingly protracted without the PCCP. Under a continuation of the existing regulatory regime and planning process, land developers would be less able to respond to market opportunities and to adapt projects to changes in market conditions.

The total amount of growth and development activity in the unincorporated Western Placer County and the City of Lincoln would continue to be guided by existing and future general plan documents of the local jurisdictions. The PCCP would not make a difference in the **total** amount of growth and development allowed by those documents, only in the pace of that growth, and, potentially, in its configuration.

Finally, higher levels of state and federal spending in Placer County are likely following implementation of the PCCP. The flow of state and federal dollars into the local economy would have direct and indirect economic impacts—stimulating business activity, jobs, income, and consumer spending. An article in the August 2004 issue of *California Coast and Ocean*, a quarterly publication of the California Coastal Conservancy, described the "restoration economy" generating jobs for scientists, engineers, heavy equipment operators, and laborers. Much of the business of the restoration economy is conducted by small businesses. This economic sector is expanding based on state and federal funding of both large and small projects. The economic impact extends to employment and income benefits in both the private and public sectors.

Implications of the PCCP for Housing Affordability in Placer County

Demand is the primary determinant of housing price. Demand is a function of population growth (migration is particularly important in Placer County), employment growth, and increases in

income. The elasticity of demand—the ability and willingness of households to choose substitute housing elsewhere in the market area—is also a key determinant of how the housing market will adjust to changes in any of the factors of production.

The PCCP would not directly affect the supply of land for housing. Local general plans designate land for residential development, and existing state and federal regulations (the *status quo* permitting process) determine the availability of land with respect to species and habitats. Because the PCCP would not supplant either of these determinants of land supply, it would not make a difference in the cost of land for housing relative to demand.

The impact of the PCCP on the critical habitat designation for vernal pool species has not yet been resolved but could prove an exception to this general statement. If the PCCP were to result in lifting the critical habitat designation, the PCCP would increase the potential supply of land for housing in Placer County. However, since much of this land is not designated in local General Plans for housing and since lifting the critical habitat designation would be predicated on assurances that the PCCP would provide comparable mitigation for impacts to vernal pool species and habitats, then the overall effect of a "potential" increase in supply might be difficult to detect in the market.

The PCCP would reduce some housing production costs and could indirectly improve housing affordability in Placer County. The PCCP would reduce the time and costs of the planning and permitting process for new development and would reduce the amount and cost of litigation faced by most major new development proposals. In a competitive market, assuming housing producers are charging what the market will bear, these cost reductions would not necessarily translate to lower housing prices, however. They might result in changes in the housing products offered and the pace at which products were brought to the market. More lower-priced units than otherwise expected might be the result. The potential for the amenity and quality of life benefits of the PCCP compared to baseline regulatory conditions to result in stronger demand and higher property values over the long term would offset some of these affordability impacts in some segments of the market.

The most important way for local government to influence affordable housing is to plan for an adequate supply of land for dwellings of many types. Affordable housing can be provided despite supply constraints imposed by local land use plans or environmental regulations if there are complementary local policies and programs to expand the supply of higher density, lower cost housing. This means zoning for higher density housing, multi-family housing, mixed use development, and housing near places of work. It also means implementing inclusionary housing and workforce housing policies, combining requirements with incentives such as density bonuses and alternatives to on-site mitigation. More generally, local governments can periodically review policies and programs with an eye to reducing regulatory barriers to increasing housing supply in areas appropriate for urban development.

PERSPECTIVE ON PCCP COSTS

Investment in the PCCP is comparable to investment in other backbone infrastructure

The PCCP, with potential one-time costs on the order of $1.3 billion over 50 years, represents an investment in the "green infrastructure" required to accommodate new development and population and economic growth in Placer County. As such, the level of investment in the PCCP

is best evaluated in the context of other infrastructure investments that will be required of public and private interests to meet the needs of growth. These infrastructure investments include:

- Transportation facilities such as highways, interchanges, regional roads, and transit
- Schools
- Libraries
- Courts and detention facilities
- Government office buildings
- Park and recreation facilities
- Water, wastewater, solid waste, and flood control facilities

Table 2 lists the costs of some of these infrastructure investments required to serve growth in Western Placer County. Placer County's recently adopted *Regional Transportation Plan* identifies almost $1.7 billion in costs for regional roads, transit capital projects, and bicycle and pedestrian improvements in Lincoln and West Placer County. This includes the costs of such high priority projects as the Lincoln Bypass, SR 65 widening, Placer Parkway, and I-80 capacity improvements. Placer County's capital improvement plan shows an investment of almost $620 million in local government facilities, many of which will be developed in Western Placer to better serve the centers of population growth in the County. [**Note to reviewers:** It would be great to be able to add City of Lincoln Capital Facilities costs, including cost estimates for the proposed water treatment plant. I was not able to track these down.] Other investments in backbone infrastructure to serve this area include expansion of water supply, distribution, and treatment facilities; expansion of wastewater and solid waste facilities; as well as flood control improvements to support the provision of land to accommodate growth. Costs for some of these projects total about $650 million. A more complete accounting of costs would include longer-term regional water supply and wastewater solutions likely to be required, adding significantly to total costs. The addition of estimated PCCP expenditure of $1.3 billion brings the total investment to over $4.2 billion.

Figure 6 shows the contribution of each element to the total infrastructure investment. The PCCP is one element of a comprehensive package of infrastructure improvements that would enable population growth and economic development to proceed in western Placer County.

[**Note to reviewers:** Another approach would show the total "burden" of all impact fees and infrastructure assessments for representative residential and non-residential projects in Placer County and Lincoln and discuss a hypothetical PCCP fee in this context. In a 2002 Economic Analysis of the Natomas Basin Habitat Conservation Plan, the proposed habitat mitigation fees represented very small components of the overall backbone infrastructure costs represented by fees, assessments, and taxes. The work to develop the accounting of fees, assessments, and taxes faced by representative projects should be coordinated with the work of the Western Placer Financing study and perhaps with the help of participants in the proposed PCCP Finance Committee.]

TABLE 2
COST ESTIMATES FOR REPRESENTATIVE INFRASTRUCTURE TO SERVE GROWTH IN WEST PLACER COUNTY

	(Millions of dollars)
Transportation	
Developer Funded Projects (Lincoln and Placer County)	189.5
Other Funded (non-transit)	351.2
Transit Funded projects	1.1
Unfunded projects	1,114.8
	$ 1,656.6
Placer County Capital Facilities	
Under Construction or Planned	563.5
Completed	54.3
	$ 617.8
Water, Sewer, Flood Control, and Solid Waste	
Pleasant Grove Wastewater Treatment Plant	179.8
Lincoln Wastewater Treatment and Reclamation Facility	85.0
Super-Sewer (Dept. of Facility Services)	220.0
American River Pump Project	34.0
Foothill Phase II Water Treatment Plant	100.0
Lincoln Area Water Treatment Plant	-
Miners Ravine Detention Basin	4.0
Materials Recovery Facility Expansion	26.0
	$ 648.8
Estimated One-Time Costs for PCCP	
Local Mitigation	976.0
Public Conservation	355.0
	$ 1,331.0
TOTAL	**$ 4,254.2**

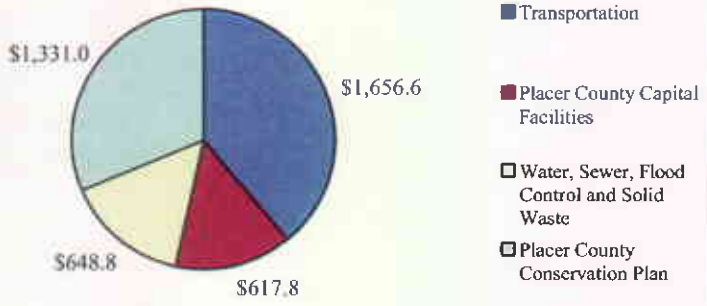
NOTE: These costs represent only a portion of the infrastructure investment required to serve growth in Western Placer County. Other costs would include schools, parks and recreation facilities, City of Lincoln capital facilities, and in-tract infrastructure for specific plans (typically paid for by developer funding).
[1] For comparability to the PCCP, this accounting of transportation projects from the *Placer County Regional Transportation Plan* does not include projects in non-participating cities (Auburn, Loomis, Rocklin, and Roseville).
SOURCES: Placer County Transportation Planning Agency, *Placer County Regional Transportation Plan, May 2005; Placer County Department of Facility Services, Capital Improvements Plan*, April 2005; Placer County Water Agency; Nevada Irrigation District; Western Placer Waste Management Authority.

The projected value of new development supports investment in species and habitat conservation at the level indicated by estimates for the PCCP

The dollar investment associated with the PCCP is not large in the context of the investment in new residential and non-residential construction to accommodate growth in Western Placer County through 2050. **Figure 7** illustrates trends in building permit values for unincorporated Placer County and the City of Lincoln between 1990 and 2004. The dollar values are adjusted for inflation and therefore reflect real increases in both the **amount** of new development and the **value** of development. Residential permit value are for new single-family and multi-family housing; non-residential permit values cover new private commercial and industrial buildings as

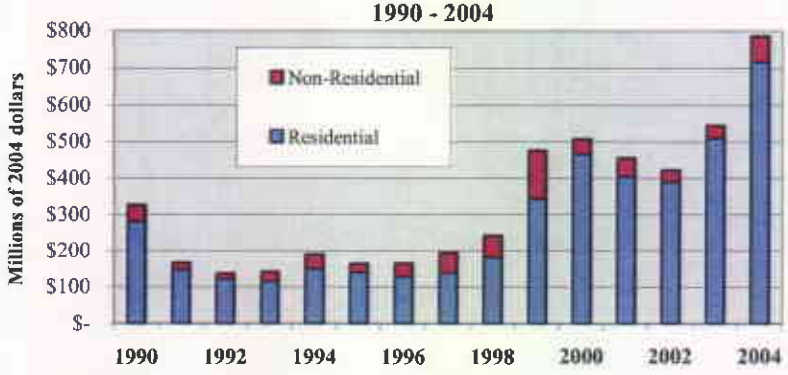
well as private hospitals, schools, other institutional, and miscellaneous non-residential structures. Permits for alterations, additions, and conversions are not included in either case.

FIGURE 6
Components of Backbone Infrastructure to Serve Growth in Western Placer County
(millions of dollars)



The dramatic increases in recent years reflect the surge of new development in these parts of Western Placer County. (Note that building permit data for non-participating cities is not included in this summary and the total for the unincorporated area includes development in the Tahoe Basin and other parts of unincorporated Placer County outside Western Placer. The majority of the unincorporated area permit value most likely represents development activity in Western Placer.)

FIGURE 7
Trends in Building Permit Values
Unincorporated Placer County and the City of Lincoln
1990 - 2004



SOURCE: Construction Industry Research Board

Over the 15-year period, building permit values for new construction averaged about $330 million per year. During the most recent five-year period, building permit values averaged over $540 million per year. Assuming future development maintained this pace and consistency, the total value of development expected could range from $15 billion to almost $25 billion from 2005 to 2050. (The range reflects calculations using the lower longer-term annual average and

the higher annual average based on the most recent period.) The local mitigation component of the PCCP (cost estimate at $976 million) is four – seven percent of this potential permit value.

The PCCP will not have a negative impact on the feasibility of new development

For potential new development projects that could accommodate the largest mounts of future growth in unincorporated Western Placer County and the City of Lincoln, the PCCP would represent an improvement over the state and federal regulatory requirements that would otherwise affect land development activities. As described in the beginning of this report, the PCCP would replace a generally protracted project planning process, involving negotiations with multiple regulatory agencies, substantial uncertainty, and the prospect of litigation, with a simplified, uniform, planning process at the end of which obligations associated with mitigating impacts to species and conserving habitat would be met by land dedication and/or payment of mitigation/development impact fees. While the direct costs to provide on-site and/or off-site mitigation might not be that different under the PCCP and *status quo* regulatory environment, the difference in time and costs associated with negotiations, uncertainty, and liability could be significant. By reducing these real costs, the PCCP would enhance the feasibility calculation for land developers.

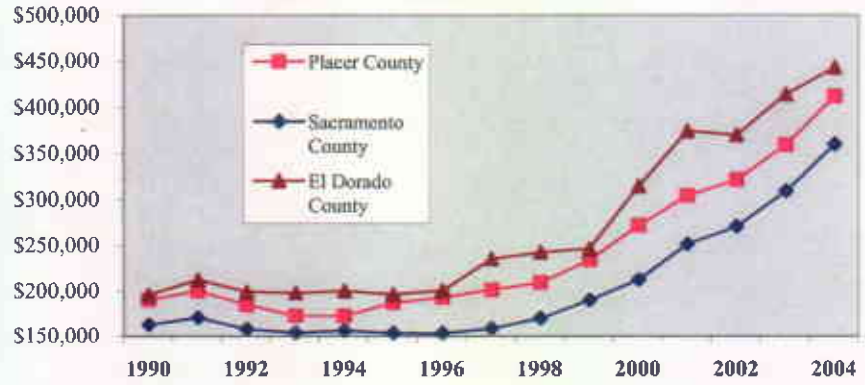
Furthermore, while the PCCP would remove species and habitat issues from the list of potentially contentious land planning questions that can delay the project approval process, there are a number of other significant issues that most major development proposals in Western Placer County have to resolve. These include planning for transportation improvements, water supply, and wastewater treatment, in addition to the overarching questions of development financing and infrastructure financing. The PCCP is only one of a number of substantial planning issues that influence the timing and feasibility of greenfield development.

The land cost basis and market values for new development influence feasibility more than species and habitat conservation requirements

Among the key ingredients of the development equation in the Sacramento region in 2005 are land prices and high and increasing values for new development (particularly housing). The history of development patterns in the region has supported speculation in agricultural land at the fringe of the metropolitan area; as a result, long-time landowners have a very low cost basis in land that may eventually be urbanized. The rapid increase in housing market values over the last several years has significantly enhanced potential profits from new development, even after accounting for costs required to gain entitlements for development. This calculation applies as well to long-time owners of rural residential or suburban infill properties.

Figure 8 illustrates trends in new home sales prices in selected counties in the regional market area between 1990 and 2004. On average, the market price of new housing more than doubled over the 14-year period, increasing at an annual rate of six percent per year. The average compound rate of increase has been double the rate of inflation for this period. Data for the 2000 through 2004 period show an annual rate of increase from nine percent per year in El Dorado County to 14 percent per year in Sacramento County. New house prices increased at the rate of 11 percent per year in Placer County between 2000 and 2004.

FIGURE 8
Trends in New Home Prices in the Placer County Market Area
(prices not adjusted for inflation)

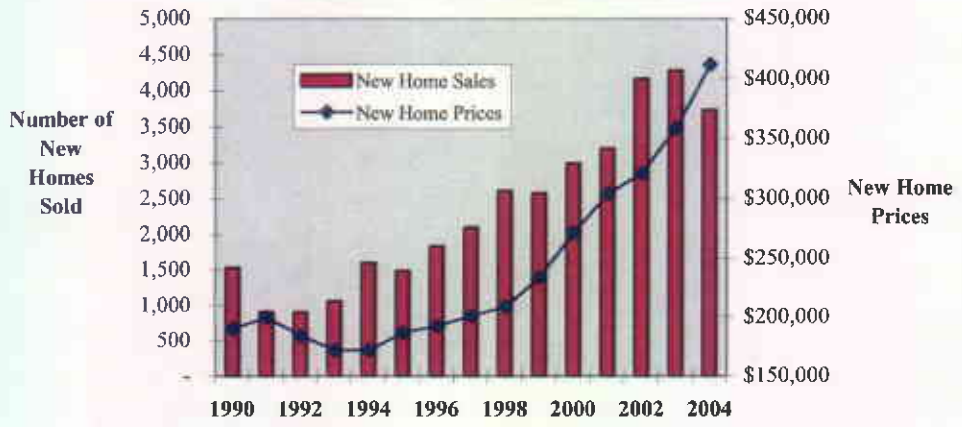


SOURCE: Real Estate Research Council of Northern California, *Northern California Real Estate Report*, First Qtr. 2005 and 3rd Qtr. 2004, based on data from First American Real Estate Solutions.

A recent proposal in Sacramento County would have tapped this large profit margin. According to news reports, landowners in unincorporated North Natomas would donate **20 percent** of their net proceeds from selling entitled land (after parcel maps were approved) to provide funding for a sports arena and other community benefits. This donation would be in return for a **faster** entitlement process. For these North Natomas landowners, there was substantial room in the feasibility equation after considering the difference between their cost basis in what is currently farm and ranch land, the costs of entitlement (including costs for mitigating impacts to habitat), and that land's value as entitled property—enough room to forego one-fifth of land sales profits. This example also illustrates the value large landowner-developers place on an **expedited** process, where the typical timeline for converting land on the urban edge could be a decade or more. Similar calculations underlie community development proposals in Western Placer County that include donation of substantial acreage for college and university campuses.

The vigor of the housing market in Placer County is illustrated in **Figure 9**. The number of new homes sold each year increased steadily from the mid-1990s through 2003, at the same time that prices maintained record year-over-year increases. Analysts project continued population and economic growth in Placer County, although growth rates are likely to slow over the long-term and price increases will tend to moderate. Such expectations, however, fuel the substantial increase in values for entitled land and land that might have the potential for urbanization.

FIGURE 9
Trends in New Home Sales and New Home Prices, Placer County
(prices not adjusted for inflation)



SOURCE: Real Estate Research Council of Northern California, *Northern California Real Estate Report*, First Qtr. 2005 and 3rd Qtr. 2004, based on data from First American Real Estate Solutions.

PCCP one-time costs represent an investment in natural resource land and a transfer from the owners of development land to the owners of reserve land

Regional economic analysis categorizes the $1.3 billion to acquire interests in PCCP reserves as a transfer from land developer to landowner. In this analytical framework, there would be no "cost" or diminution of overall land value as a consequence of PCCP implementation. The $1.3 billion estimate to acquire PCCP reserves represents an estimate of the natural resource value of that land. Under the PCCP, the owners of potential reserve lands are provided a market from which to extract that resource value as they transfer property interests to the PCCP in return for monetary value, tax benefits, and/or mitigation credit. Under an aggressive conservation strategy, the resource value for scarce reserve lands is likely to be substantially higher than the underlying agricultural value.

Report #2

Preliminary PCCP Financing Plan Discussion
(MuniFinancial, 07/11/05)

Memorandum

To: Loren Clark

From: Sal Van Etten and Robert Spencer

Date: *Revised* July 11, 2005

Re: Preliminary PCCP Financing Plan Discussion

Introduction

The Placer County Conservation Plan (PCCP) for Western Placer County is nearing completion. The Agency Review Draft of the PCCP was completed in late February (February 22, 2005) and distributed to participating agencies for review and comment. Cost estimates for PCCP implementation, including cost estimates for land acquisition and restoration as well as estimates of ongoing costs such as program administration, land management, and biological monitoring, were also recently updated. A memorandum summarizing the PCCP progress and including the revised cost estimates was prepared by the Placer County Planning Department and presented to the Board of Supervisors on March 8 2005.

At the same time, several major development groups with significant holdings in West Placer have begun meeting with Placer County staff regarding their proposed future development projects. The participation of these projects in the PCCP is crucial to the Plan's success.

If the PCCP is adopted, the next important task will be preparation of a Financing Plan for implementation. There are a wide variety of funding sources and financing mechanisms available to local governments. But their applicability to the PCCP Financing Plan varies substantially because of statutory constraints. Political challenges include the need for voter approval in some cases. Additionally, based on our research to date there appear to be a variety of legal interpretations regarding the use of several funding mechanisms for habitat mitigation. Please note that no legal review by County Counsel or outside counsel of the potential funding mechanisms has been requested or conducted at this point. Such review may be needed if certain funding sources are to be pursued.

Purpose

The purpose of this memorandum is to identify strategic issues and corresponding policy decisions that need to be made regarding the PCCP Financing Plan. Several of these policy issues require action as quickly as possible if the County is to preserve the ability to take advantage of certain funding mechanisms in the future. Furthermore

direction from the County on these issues is needed before MuniFinancial can proceed with a recommended Financing Plan.

Outline

This memorandum is organized under the following sections:

- Overview of PCCP Financing Plan;
- Potential Funding Sources;
- Debt Financing Mechanisms; and
- Strategic and Policy Issues.

Overview of PCCP Financing Plan

An overview of the sources and uses of funds for the PCCP Financing Plan is critical to understanding the funding needs and challenges of the Plan. Key concepts include:

- **Local** versus **state and federal** funding sources;
- Costs directly attributable to **new development** versus costs that provide more **general benefits**; and
- **One-time** funding sources and costs versus **ongoing** funding sources and costs.

Sources and Uses of Funds

The latest costs estimates associated with the PCCP indicate that approximately 80 percent of total plan costs (during the first 50 years) will be for one-time costs. One-time costs primarily include land purchase, land restoration, and associated program administration. The remaining 20 percent of costs during the first 50 years are ongoing. These costs include land management, biological monitoring and adaptive management, and associated program administration. Ongoing costs will continue into perpetuity at an estimated $10 million annually (2004 dollars) after the first 50 years. These estimates are preliminary and subject to revision.

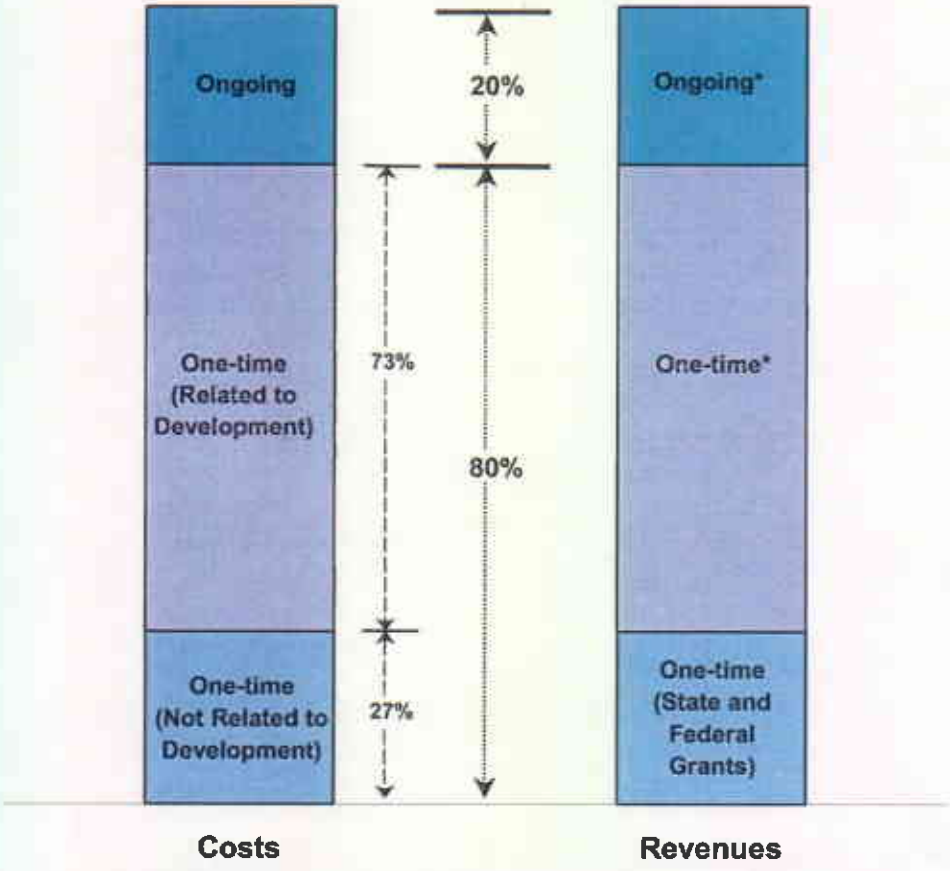
Critical to funding of the PCCP is the participation of state and federal agencies. The most recent draft of the PCCP anticipates that state and federal agencies will receive authorization to fund 25 to 30 percent (current estimates assume 27 percent) of total one-time costs identified in the PCCP. State and federal agencies likely will direct their contributions towards the acquisition of specific acres of habitat unrelated to new development impacts. The objective of these agencies is to fulfill species recovery and natural communities conservation policy objectives by expanding the total amount of habitat protected, thereby supplementing local mitigation to provide for ecosystem

integrity. The remaining one-time costs (approximately 73 percent of total one-time costs) reflect mitigation for habitat reduction and other adverse impacts on species from new development.

This overview of sources and uses of funds is shown in the chart below.

PCCP Financing Plan Overview

(First 50 years)



* One-time revenues may be used to generate ongoing revenues through funding of an endowment.

Financing Plan Considerations

This overview of sources and uses of funds suggests the preliminary approach for the PCCP Financing Plan:

- One-time sources, such as habitat mitigation fees on new development and federal and state grants, should be used to fund one-time costs.

  - The bulk of one-time costs are associated with the habitat acquisition and restoration to mitigate the impacts of new development. Habitat mitigation fees paid by new development are a one-time source and therefore appropriate for this purpose, though other one-time or ongoing sources could be used as well.
  - The remaining one-time costs are likely to be funded with state and federal contributions. These funds will **not be available to defray costs associated with the impact of new development.**

- Stable, continuing funding sources such as assessments and taxes should be used to fund ongoing costs in perpetuity.
  - One-time funding such as mitigation fees may indirectly fund ongoing costs by building an endowment that generates sufficient interest revenue in perpetuity (see additional discussion below).
  - The PCCP Financing Plan will need to identify local funding sources for ongoing management and monitoring costs associated with lands acquired with state and federal funds. These costs are not associated with the direct impact of new development and therefore funding cannot come from exactions (fees, assessments, etc.) imposed solely on new development.

In conclusion, although one-time costs are much larger in magnitude during the first 50 years of the PCCP, the more challenging task may be finding suitable funding sources for ongoing costs in perpetuity. The PCCP may not be able to rely solely on new development to fund these costs, and will need to spread funding more broadly among all property owners and/or taxpayers in the County. This approach is not inappropriate given the general benefits associated with species recovery and the preservation of open space.

Potential Funding Sources

A wide variety of potential mechanisms available for PCCP funding are presented in this section. Each funding mechanism is first briefly described. Next, potential opportunities and constraints are identified. The category of costs (one-time and/or ongoing) each funding mechanism might best address is discussed.

Generally speaking, almost all of the funding mechanisms presented would be suitable for funding one-time costs. Some funding mechanisms may be restricted or be less suitable for funding ongoing costs. The potential funding sources are presented in order of those most likely to be used for one-time costs and to be funded primarily by

new development through those which may be used for either one-time or ongoing costs but which require broader participation (new and existing development) and may be better used for ongoing costs.

A matrix summarizing the funding options follows the descriptions and discussion.

LAND DEDICATION / IN LIEU HABITAT MITIGATION FEE

This funding source is an *ad hoc* exaction imposed on new development by the local agency with land use regulatory power. The County has this authority in the unincorporated area and each city has this authority within their respective jurisdiction. A summary description of this funding source as it relates to the PCCP Financing Plan includes:

- Authority to impose this type of exaction may be derived from several sources including state and federal regulatory requirements to preserve threatened and endangered species, the Subdivision Map Act[1], and the mitigation of environmental impacts identified through the California Environmental Quality Act (CEQA).[2]
- Infill development on existing lots not requiring further discretionary approval for development would not be covered, though this represents a small share of total development projected by the PCCP.
- The conditions of approval for a development project would include dedication of adequate habitat land in perpetuity sufficient to mitigate the negative impacts of the project based on the requirements of the PCCP.
- As an alternative to or in addition to land dedication, the project could pay a habitat mitigation fee. The fee would be calculated to fund the one-time costs of acquiring and restoring the land that otherwise would have been dedicated.
- Mitigation requirements would depend on the type of habitat being developed ("taken") by the project. There are different mitigation requirements (ratios of acres taken to acres required for mitigation) for different habitat categories (e.g., vernal pools, grass land, Oak woodlands, riparian corridors).

Imposing a mitigation requirement for land dedication and/or payment of fees for land purchase is probably the simplest and most practical funding option for the PCCP.

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[1] *California Government Code* Section 65913.8.

[2] Exactions must conform to the "dual nexus" and "rough proportionality" constitutional tests described in case law.

Land dedications and/or fees are one of the most commonly used funding mechanisms for habitat conservation plans in California. Indeed, some large developers active in Placer County have purchased land for habitat mitigation in anticipation of a dedication requirement.

Land dedication has a distinct advantage over other funding sources. Future land price escalation is difficult to estimate, highly variable, and can be significant (over 10 percent annually) in areas subject to development pressure such as Placer County. Land dedication avoids the need to ensure that the habitat mitigation fee and any other funding sources for land acquisition will increase with land price escalation over time. The Board of Supervisors can increase habitat mitigation fees as land prices escalate. However, a lag in this process or any adjustment that does not keep up with land prices could jeopardize full funding of the PCCP.

Use of Fee Revenue For Ongoing Costs

One-time fees could be justified to fund ongoing costs in perpetuity through contributions to an endowment, though the statutory authority is unclear. A clear justification exists to augment habitat mitigation fees sufficient to fund management of the habitat required to mitigate impacts of the development project paying the fee. Indeed some fees imposed on new development as part of existing habitat conservation plans fund ongoing costs.[3]

However, in general one-time fees on new development, including in lieu mitigation fees and development impact fees (discussed below) rarely fund ongoing costs. Furthermore, there may be a statutory constraint on the use of fee revenues for operations and maintenance.[4] Further legal analysis is needed to determine whether fee revenues could be used for ongoing costs.

Development Impact Fee

Another type of exaction on new development is the development impact fee imposed under the Mitigation Fee Act[5]. Similar to the in lieu habitat mitigation fee, this fee could be based on the type of habitat being developed ("taken") by the project. Unlike the in lieu habitat mitigation fee, this approach would not be based on a land dedication requirement. However, a development project could choose to dedicate habitat and receive a credit against the impact fee due.

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[3] See for example mitigation fees adopted for the *Western Riverside County Multiple Species Habitat Conservation Plan* and the *Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan*.

[4] *California Government Code* Section 69513.8.

[5] *California Government Code* Sections 66000 through 66025.

An advantage of the impact fee compared to the land dedication/habitat mitigation fee is the possibility to impose the fee on all new development including infill projects. Impact fees must be adopted based on findings of reasonable relationships between the development paying the fee, the need for the fee, and the use of fee revenues. Further technical analysis is required to establish this relationship for infill development, though this probably could be done based on the indirect impacts of growth on the loss of habitat.

As discussed above regarding habitat mitigation fees, further legal analysis is needed to determine whether fee revenues could be used for ongoing costs.

Conservation Easements

Conservation easements are a funding source in the sense that they reduce the cost of land acquisition. A conservation easement purchased from a landowner requires that the land remain in its current state in perpetuity. Easements preserve habitat without transferring title to a public entity. The landowner can continue certain farming or grazing activities if those activities are compatible with habitat requirements.

This funding source is only for land acquisition and does not fund any ongoing costs such as biological monitoring. Current PCCP cost estimates assume that 28 percent of needed habitat will be acquired by easement rather than fee title purchase.

Community Facilities Districts (Special Tax)

The Mello-Roos Community Facilities Act of 1982 enables the formation of Community Facilities Districts (CFDs) by local agencies.[6] for the purpose of imposing special taxes on property owners. CFDs are primarily used as a way to finance public facilities with debt financing secured by a lien on property within the district, though certain ongoing public service costs may be funded as well.

A summary description of this funding source as it relates to the PCCP Financing Plan includes:

- CFD approval requirements make this funding source primarily attractive to development projects on undeveloped land.[7]
- A key advantage of this funding source compared to benefit assessment districts is flexibility. CFDs impose *special taxes* on property owners not

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[6] *California Government Code* Sections 53311 through 53368.

[7] Areas with fewer than 12 registered voters can form a district with a two-thirds property owner vote based on acreage essentially allowing the developer(s) to form the district. Areas with 12 or more registered voters require two-thirds registered voter approval making this approach less attractive for developed areas.

special assessments discussed below with regards to benefit assessment districts.

- The amount of special tax paid by land use type can be based on any type of rate and method approved by the property owners when forming the CFD. This allows the developer significant flexibility to spread the burden of the special tax across different land uses within the district as economic factors warrant.
- Special tax revenue may be used for a broad range of public capital facilities and services designated in the law. Unlike special assessments, special taxes are not constrained by the special benefit received by a property.
- CFDs can fund open space whether located inside or outside the district.

- The only possible limitation of the use of special tax revenue may be for ongoing costs. Further legal analysis is needed to evaluate this issue.
- Similar to benefit assessments, CFD special tax liens on property may be used to secure debt financing. Debt capacity is limited by:
  - A minimum ratio of the value of a property to the property's share of debt in case of default, typically no less than 3:1.
  - A maximum annual property tax rate of two percent of market value, including the base property tax, the CFD special tax, and all other overlapping debt, assessments, and charges.

There are several examples of CFDs funding open space and habitat preservation. Solano County and the City of Fairfield have used a CFD to fund open space acquisition. The Fort Ord Reuse Authority uses a CFD to fund all costs associated with the habitat mitigation requirements of redevelopment of the former military base, including contributions to an endowment to fund ongoing costs.

Benefit Assessment Districts

Benefit assessment districts allow for the imposition of annual benefit assessments on property owners commensurate with the annual costs of an identified special benefit to that property. There are a number of different types of benefit assessment districts authorized by California State law. Some are limited to provision of public facilities (often using debt financing secured by a lien on property within the district) and some allow funding of operations and maintenance. Lighting and Landscaping Districts (L&Ls) are an example of one commonly used benefit assessment district.

Benefit assessment districts have certain requirements that limit, but not eliminate, their applicability to the PCCP:

- Benefit assessments can only fund facilities or services that provide a *special* benefit to a distinct group of properties owners. Special benefits must be in addition to any *general* benefits accruing to all properties in a jurisdiction. An increase in property value alone does not qualify as a special benefit.
- Property owners must approve a benefit assessment by majority vote.[8] This constraint means that assessments are easier to impose on new development projects as a condition of approval, rather than more broadly on all property owners.
- Property owners can repeal an existing benefit assessment using an initiative process unless the assessment is funding repayment of debt.

Benefit assessments are often imposed as a condition of approval for development projects, similar to land dedication requirements, habitat mitigation fees, and development impact fees discussed above. The key difference is that benefit assessments allow for an ongoing revenue stream and therefore make them more suitable to fund ongoing costs. Unlike one-time fees paid by the developer, the funding burden falls on future property owners.

Several independent special districts have received majority property owner approval in existing developed areas to fund benefit assessments to preserve open space. This approach can provide a substantially higher level of funding compared to assessments imposed only on new development projects. However, these assessments have been challenged in the courts based in part on the assertion that they provide general and not only special benefits. Further legal analysis is needed to determine the applicability of this funding mechanism.

Habitat Maintenance Assessment Districts

Habitat maintenance assessment districts, enabled in 1994 by the State Legislature, are a type of benefit assessment district that appears to be designed for programs such as the PCCP.[9] Habitat maintenance assessment districts can be used to fund improvements including "[t]he acquisition, construction, or rehabilitation of any facilities needed to create, restore, enhance, or maintain natural habitat"[10] and can also be used to cover "incidental expenses" including but not limited to the costs of "biological monitoring and evaluation of collected data related to the establishment or operation of natural habitat."[11] These districts can be formed to implement "a long-

[8] The vote is based on acreage weighted by the amount of the assessment.

[9] *California Government Code* Sections 50060 through 50070.

[10] Ibid. Section 50060(b)(1).

term natural habitat maintenance plan approved by the Department of Fish and Game".[12]

We do not know of any existing habitat maintenance districts so this funding source appears to be untested. This lack of use may be caused by the difficulty of demonstrating special benefit to certain property owners separate from general benefits to all property owners, as discussed above. Further legal analysis is needed to determine the applicability of this funding source.

Habitat maintenance districts have other constraints. Current law limits assessments to $25 per parcel (inflated to approximately $33 per parcel in 2005 dollars). Rough PCCP cost estimates indicate that at this level a habitat maintenance assessment would fund about one-third of projected annual ongoing costs. Habitat maintenance assessment districts are also limited to 30-year durations and imposition of the assessment upon most agricultural land is prohibited. The law could be amended to reduce these constraints. If so, habitat maintenance assessment districts could be a useful funding source for the PCCP Financing Plan especially for ongoing costs.

Community Services Districts

Community Services Districts (CSDs) are an alternative local governance structure for providing municipal facilities and services to an area.[13] CSDs may be seen as an alternative or complement to the typical roles played by cities (in incorporated areas) or counties (in unincorporated areas). A summary description of this funding source as it relates to the PCCP Financing Plan includes:

- Initiation of the formation process may be done by petition submitted by residents located within the proposed district, or by a city or county within which the district will be located.
- Formation of a CSD requires approval of the Local Agency Formation Commission (LAFCO) and a majority vote of registered voters with the proposed district.
- An independent board elected by registered voters within the district governs the CSD.
- Implementation of a benefit assessment or property related charge requires a majority vote of property owners. Imposition of a special tax requires two-thirds approval by registered voters.

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[11] Ibid. Section 50060(c)(7).

[12] Ibid. Section 50060.5(a).

[13] *California Government Code* Section 61000.

Placer County likely would have to seek special state legislation to provide for a CSD with the power to acquire, restore, and maintain habitat. The law does not appear to grant CSDs a general power for these purposes.[14] However, the CSD law includes a plethora of special authorizations for specific CSDs throughout the State. One special authorization allows formation of the Mountain House CSD in San Joaquin County in part for the ability to "[a]cquire, own, maintain, and operate land for wildlife habitat mitigation or other environmental protection or mitigation within or without the district."[15]

Finally, governance by an independently elected board could create overly complex relationships for implementation of the PCCP. Placer County and cities included in the PCCP would need the CSD to provide adequate funding for the PCCP to enable development to proceed and support implementation of their General Plans. Accountability to state and federal wildlife agencies for implementation would now be spread among more local agencies. This issue could be addressed in the special legislation mentioned above by making the CSD a dependent district and having the Board of Supervisors act as the CSD board.

Agricultural Lease Revenues

Some land may be suitable for farming or grazing without compromising the preservation of habitat for endangered or threatened species. This type of land could generate lease revenue if it is acquired in fee title rather than maintained through an easement. Lease revenue could be used for any one-time or ongoing cost. However, this funding source is not expected to yield a significant amount of revenue for the PCCP Financing Plan.

Parcel Tax

Parcel taxes are a type of excise tax on the use of property. Widely used throughout the state, these taxes are adopted as a special tax dedicated to specific purposes. All special taxes require two-thirds voter approval. Thus, the greatest challenge for this funding source is gaining countywide voter approval.

The greatest advantages of a parcel tax are (1) the large and stable potential funding base from a countywide tax, and (2) the flexible use of revenues. Parcel taxes are usually levied as a flat amount per parcel with variances by major land use categories. The parcel tax rate must not be correlated with assessed value to avoid being considered a property tax subject to the constraints of Proposition 13. The parcel tax

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[14] Ibid. Section 61600.

[15] Ibid. Section 61601.26(e).

on a specific property need not be correlated with the benefit received by that property from the expenditure of tax revenues.

Sales Tax

A sales tax is another type of jurisdiction-wide excise tax, in this case imposed on retail sales transactions within the jurisdiction. Voters can elect to increase the sales tax in one-eighth of a cent increment. The sales tax would share the same advantages (broad-based, steady, and flexible funding source) and disadvantages (voter approval) as the parcel tax discussed above.

An attempt to increase the sales tax by a quarter-cent in Placer County to fund open space acquisition failed in 2000. A potentially more effective approach would be to include some habitat mitigation funding in a broader sales tax measure to fund popular transportation improvements. In the Coachella Valley area of Riverside County, approximately $30 million from a half-cent sales tax measure for transportation improvements is being allocated to habitat mitigation as is approximately $121 million in the Western Riverside Multiple Species Habitat Conservation Plan [16]. These costs represent the direct, indirect, and cumulative effects of transportation projects on natural habitats.

Other Local Sources

Some opportunities for inter-agency cooperation regarding funding implementation of the PCCP may exist. Possible partner agencies include the Placer County Water Agency (PCWA) and the Placer County Flood Control & Water Conservation District. Both of these agencies will be engaged in "covered activities" - actions that will potentially require habitat mitigation. Consequently, there is an incentive for them to cooperate in finding funding sources for the PCCP.

There may be some activities, especially those involving watershed protection, that may further both the goals of the PCCP and the Placer County Flood Control & Water Conservation District. The County should communicate and coordinate with the District to identify any potential common efforts that could share funding.

Finally, other local sources of revenue used by other habitat conservation plans include landfill tipping fees. The Western Riverside County Multiple Species Conservation Plan and the Coachella Valley Habitat Conservation Plan rely on a share of fees generated at a landfill being used to accommodate waste from outside the County.

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[16] MuniFinancial, *Development Mitigation Fee*, fee study completed for the *Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan*, 2004 (study still in administrative draft stage).; Western Riverside Multiple Species Habitat Conservation Plan (June 2003).

SUMMARY

The matrix on the next page summarizes the key characteristics of the potential PCCP Financing Plan funding sources described above.

DEBT FINANCING MECHANISMS

This section of the memorandum describes some potential financing mechanisms and related issues for the PCCP Financing Plan. Without the use of financing mechanisms, the PCCP Financing Plan would have to rely on a "pay-as-you-go" approach.

ENDOWMENT FOR ONGOING COSTS

The PCCP Financing Plan could recommend establishment of an endowment to pay for some or all of the ongoing costs in perpetuity. This is a common approach for funding habitat conservation plans. As mentioned above, endowments can provide a vehicle for converting one-time habitat mitigation and development impact fees into an ongoing funding source. Any of the other local funding sources could be used as well to establish an endowment.

A very large endowment would be required to generate enough income for ongoing costs once land acquisition and restoration has been completed. Long-term annual ongoing costs are estimated at about $10 million in 2005 dollars once all land has been acquired. This level of funding could require a $200 million to $500 million endowment depending on investment policies.

The higher endowment level would be needed if endowment fund management were constrained by the County's conservative investment policy. Current policy constraints result in investment yields of approximately two percent annually. Alternatively, fund management could be transferred to:

- A separate local private entity such as the existing Placer Land Trust;
- Another existing entity that provides endowment management service such as the Center for Natural Lands Management; or
- An entirely new non-profit entity formed specifically for this purpose.

In any of these cases, a separate non-profit entity could operate under less restrictive investment policies. Such an approach may generate higher investment yields through a more diversified investment portfolio with an acceptable level of risk.

Potential Funding Sources

Key Characteristics

Funding Source	Use of Funds			Source of Funds		Annual Revenue		Voter Approval	Other Issues	
	One-time Costs	Ongoing Costs	Debt Financing	New Develop-ment Only	Broad Geogra-phic Areas	Potential Amount	Stability		Add'l Legal Analysis	Special Legislation
Land Dedication / Habitat Mitigation Fee	Yes	Use Endowment	No	Yes	No	Low / Moderate	Variable	No	No	No
Development Impact Fee	Yes	Use Endowment	No	Yes	No	Low / Moderate	Variable	No	Yes	No
Conservation Easements	Yes	No	No	No	Yes	Low	Variable	No	No	No
Community Facilities District	Yes	Maybe	Yes	Yes	Yes	Low / Moderate	Stable	Landowner or Voter[1]	Yes	no
Benefit Assessment Districts	Yes	Yes	Yes	Yes	Yes	Low / Moderate	Stable	Land-owner[2]	Yes	No
Habitat Maintenance Assessment Districts	Yes	Yes	No	Yes	Yes	Low / Moderate	Stable	Land-owner[2]	Yes	Yes
Community Services Districts	Yes	Yes	Yes	No	Yes	Low / Moderate	Stable	Landowner or Voter[3]	No	Yes
Agricultural Leases	Yes	Yes	No	No	Yes	Low	Stable	No	No	No
Parcel Tax	Yes	Yes	Yes	No	Yes	Moderate / High	Stable	Voter[4]	No	No
Sales Tax	Yes	Yes	Yes	No	Yes	Moderate / High	Stable	Voter[4]	No	No
Other Local Sources	Yes	Yes	TBD	No	Yes	TBD	TBD	TBD	TBD	TBD

Note: "TBD" is To Be Determined.

[1] Approval requires a two-thirds vote of property owners based on acreage, or if 12 or more voters are registered within the proposed district then approval requires a two-thirds vote of registered voters.
[2] Approval requires a majority vote of property owners weighted by the amount of the assessment.
[3] Approval of district formation requires a majority vote of registered voters. Approval of a new assessment or charge requires a majority vote of property owners weighted by the amount of the assessment.
[4] Approval requires a two-thirds vote of registered voters.

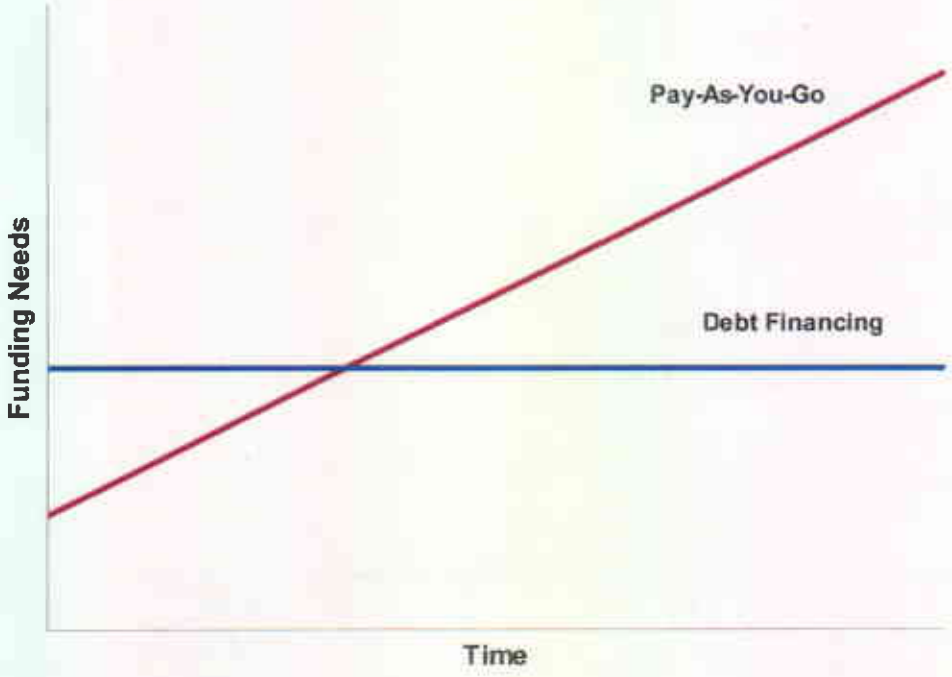
Source: MuniFinancial.

FINANCING LAND ACQUISITION EARLY IN THE PROGRAM

Another important issue is the potential for lowering overall program costs with land acquisition early in the life of the PCCP. As mentioned above regarding land dedication, future land price escalation is difficult to estimate, highly variable, and can be significant (over 10 percent annually) in areas subject to development pressure such as Placer County and where mitigation land will become increasingly scarce. To the extent that land prices would escalate faster than the cost of debt financing, total land acquisition costs would be lowered by borrowing funds to acquire land sooner compared to a "pay-as-you-go" approach.

The graph below illustrates these points. A "pay as you go" approach initially requires less revenue compared to a debt financing approach, but funding needs rise in the later years due to land price escalation. Under the debt financing approach, funding needs are greater initially to acquire more land sooner and fund the cost of debt. However, funding needs remain constant over time under this approach assuming a typical debt structure that generates level debt service costs.

FINANCING LAND ACQUISITION



SCIP Program

The Statewide Community Infrastructure Program (SCIP) is a new program made available through the California Communities Joint Powers Authority. The SCIP allows for financing of development impact fees through issuance of 1913/1915 Act special assessment bonds. Instead of developers paying the fee, the local jurisdiction receives funding through SCIP and future property owners pay the fee over time as an assessment. SCIP is designed for development projects that are too small to efficiently form a financing district and issue debt to fund impact fees.

The SCIP provides two program alternatives, an Impact Fee Reimbursement Program or an Impact Fee Pre-Funding Program. Under both programs the developer must agree to form an assessment district to pass the costs of the program onto future property owners within the development.

- *Impact Fee Reimbursement Program:* The developer pays the impact fees at the time a building permit is issued. SCIP then reimburses the developer.
- *Impact Fee Pre-Funding Program:* The local jurisdiction receives impact fee revenue when the tentative map is approved for all lots recorded on the map. The developer does not pay a fee at time of building permit.

The Pre-Funding Program would generate funds earlier in the development process compared to the payment of habitat mitigation or impact fees. This would enable earlier acquisition of habitat land. To date all SCIP financings have been for the Impact Fee Reimbursement Program. Incentives may be needed for developers to participate in the Pre-Funding Program.

Strategic and Policy Issues

This concluding section highlights key strategic issues for Board of Supervisors consideration. Each strategic issue includes related policy choices that are also presented. Items requiring immediate or near term Board of Supervisor action are noted. All strategic and policy issues presented here will eventually need to be addressed to guide preparation of the financing plan for the PCCP.

Strategic Issue 1: Facilitating Early Land Acquisition

Upfront purchase of conservation lands should be considered. Additional financing costs should be weighed against the estimated future cost of increasingly scarce land. Early land acquisition will diminish the possibility that conservation land prices will outpace the funding available for land acquisition.

Reserve Debt Capacity In New Development Projects To Finance Land Acquisition

Several developers with large landholdings in the PCCP Phase I area have begun meeting with the County regarding infrastructure planning and financing. To the extent that a development project will not be dedicating land for habitat, the County should seek the ability to finance land acquisition through a benefit assessment district, Community Facilities Districts (CFDs), or the SCIP pre-funding program.

To implement this policy the County will need to ensure that some share of total estimated debt capacity for the development project (e.g. 5 to 20 percent) is reserved as a condition of approval. The County may want to require initial projects to fund more land acquisition than their direct mitigation needs and use fee revenues from future projects for reimbursement.

Policy direction on this issue is needed as soon as possible to incorporate into current development proposals.

Encourage Land Dedication Over Fee Payment

Land dedication of habitat should be encouraged. To the extent that land is dedicated overall PCCP implementation costs will be lower. Land dedication also reduces the chance that plan implementation will be flawed because impact fee revenues do not keep pace with escalating land prices and funding becomes insufficient for PCCP implementation. The Natomas Basin conservation effort encountered this problem so severely that it has since switched to a policy of land dedication only.

Some landowners likely will not be able to fulfill their mitigation requirements through land dedication alone. Consequently the PCCP should retain a habitat mitigation fee option. Care should be taken to assure that the fee is adjusted as often as is necessary to keep pace with rising land costs. If fees lag behind current land acquisition costs landowners will have an economic incentive to pay the fee and not dedicate land, and the PCCP will lack the funds needed for full implementation.

The Board of Supervisors should indicate whether they agree or not with the policy direction indicated above to encourage land dedication over payment of fees. Options can be further evaluated as the PCCP Financing Plan is developed.

Strategic Issue 2: Balance Risk and Return on Investments

Policy direction is needed regarding the balance between risk and return on funding sources for ongoing PCCP costs. There are two types of risk considered here: investment risk and political risk.

Funding Ongoing Costs With An Endowment Versus Other Sources

Ongoing costs could be funded with income generated by an endowment. Advantages of an endowment include a stable stream of income for ongoing PCCP costs, and the ability to demonstrate to state and federal wildlife agencies that the PCCP is fully funded. Disadvantages include exposure to investment risk and the cost of investment management. The level of these risks and costs would depend on the structure or entity managing the funds, as discussed above.

Alternatively, ongoing costs could be funded on a "pay-as-you-go" basis with annual special benefit assessments or CFD special taxes. These revenues streams would also be relatively stable but would only grow incrementally over time as development proceeds. There is virtually no investment risk associated with assessments or special taxes, and investment management costs are negligible. However, assessments are more difficult to approve and are subject to repeal by landowners or the electorate.

Finally, other revenue sources such as parcel taxes or sales taxes could provide a more stable source for endowments.

The Board of Supervisors should provide preliminary policy direction at this time regarding the use of an endowment for ongoing costs. These options can be further evaluated as the PCCP Financing Plan is developed.

Public vs. Private Endowment Management

To the extent that the County is willing to accept higher risk on investments, the potential for greater return on those investments increases. A prudent approach could likely reduce overall PCCP costs while keeping investment risk within acceptable boundaries. Conversely, if the County is uncomfortable with higher risk investments, any endowment created for PCCP implementation will require more funding.

If the County wishes to retain control over PCCP mitigation funds received, investment returns will be limited by the County's fairly conservative existing investment policy (currently constraining yields to approximately two percent annually.) Alternatively, the County could designate an existing entity and/or a new non-profit entity could be created separate from the County. This entity would act independently to implement the mission of the PCCP. Financial management would be controlled by the entity and investments would not be subject to the County's current investment policy, hence investment could be subject to higher risk and returns. Higher returns would lower the overall cost of the PCCP by decreasing the size of the endowment.

Assuming that an endowment will be part of the PCCP Financing Plan, the Board of Supervisors should give policy direction regarding favored options for endowment management (County, existing non-profit entity, new non-profit entity).

Report #3

Summary of Reserve Map Alternatives (Placer County, 11/20/06)

Notes to User

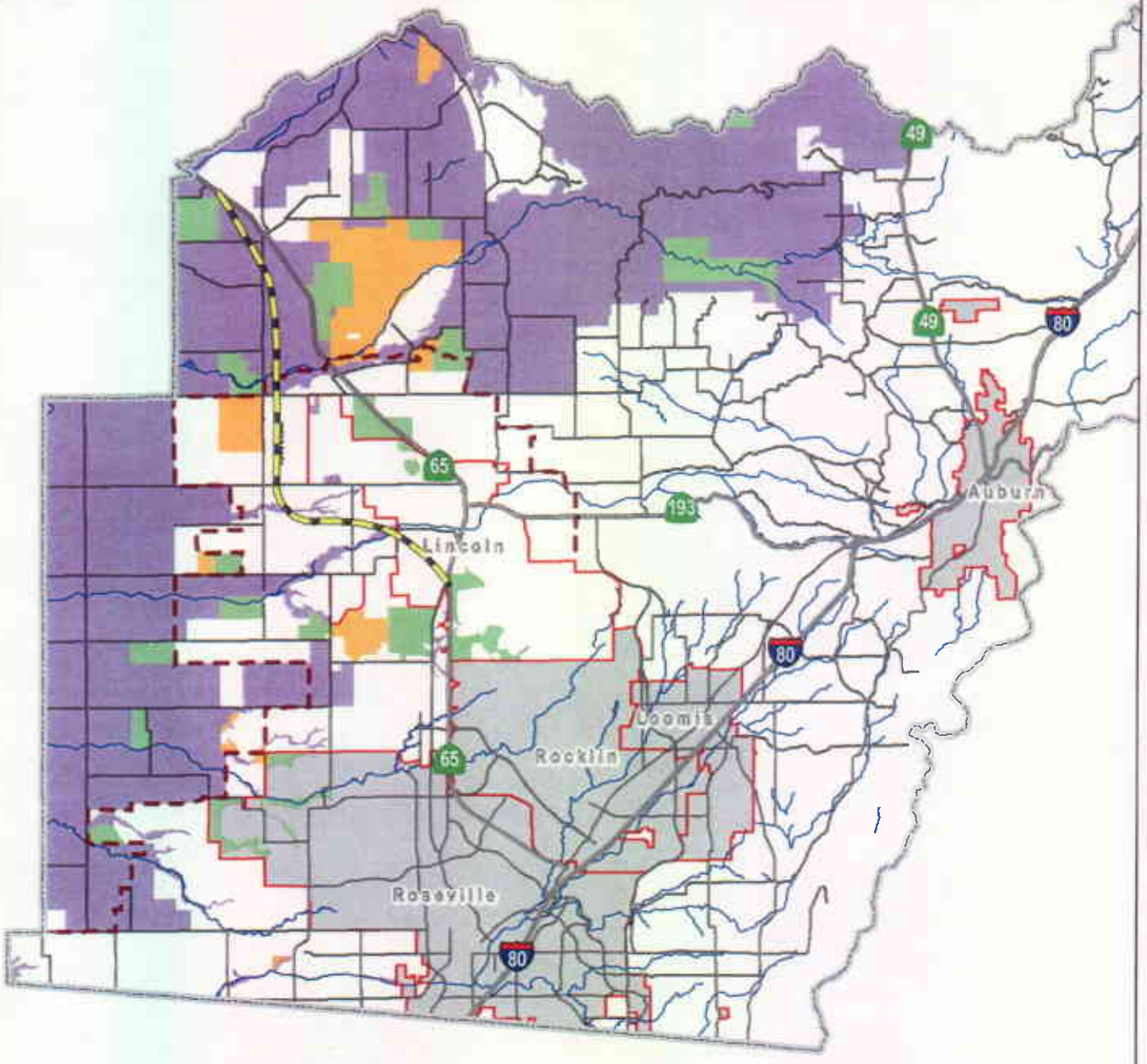
The following acreage summaries are based on a number of potential PCCP reserve system mapping alternatives. Some of these alternatives have been prepared based on input provided by landowner and environmental stakeholder working groups.
The underlying base data used to create each map varies slightly, depending on the original source of the map, causing minor differences in acreage totals across the various alternatives. These acreage variations account for less than 0.001% of the total Phase 1 area and are considered insignificant for the purposes of this analysis.
The vegetation categories represented in this analysis have been compiled from the Phase 1 Landcover Data (JSA, 2002) and GIS data prepared for the admin draft PCCP (TRA, 2005).
The following provides a detail on the landcover categories used in this acreage analysis:

Rice - acreage reflects Foothill and Valley ricelands
Annual Grassland - acreage reflects the Valley grasslands only
Vernal Pool - includes individual, low, medium, and high density vp JSA landcover types in both the Foothill and Valley
Stream System* - acreage includes all JSA mapped landcover types occurring within 300 feet (from centerline) of major streams/tributaries (as mapped by TRA in the admin draft PCCP)
Woodland - acreage includes foothill riparian, oak woodland savannah, foothill hardwood, valley oak, blue oak, interior live oak, and oak-foothill pine JSA landcover types
Other - all remaining landcover types

* Acreage associated with landcover types mapped within 300 feet (from centerline) of major streams/tributaries are included in the Stream System category.

Existing preserves include all lands identified as either permanent open space or having an in-perpetuity conservation easement.
Potential preserves represent lands identified by the land owner as potentially available for future conservation/open space.
Reserve Acquisition Area includes lands suitable for incorporating into the PCCP reserve system. Not all of the lands identified as Reserve Acquisition Area would be incorporated into the final reserve system; the ultimate PCCP reserve will be formed based on the availability and interest of willing sellers. Preliminary analysis indicates that a reserve system of approximately 60,000 acres are needed to meet the goals/objectives of the PCCP.
Acreages associated with the **Development Opportunity Area/Urban Infill** do not include the non-participating cities.
Total Phase 1 Area acreage represents the total land proposed for coverage in the PCCP and does not include the non-participating cities.
PCCP Preservation/Restoration acreage reflects lands in the potential Reserve Acquisition Area and Potential preserves.
Total PCCP Preservation Ratio reflects the vp preservation ratio across all Existing, Potential, and Reserve Acquisition Areas.

ALTERNATIVE 1



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2006

DOCUMENT LOCATION:
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DOCUMENT CREATION:
Placer County Community Development Resource Agency
IT/GIS Division
(530) 886-3000

DATE PRINTED: October 26, 2006

Sample 1 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,406	931	2,417	948	911	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	4,804	7,363	12,476	12,270	17,406	17,428	71,747
	total	8,984	10,925	13,407	16,104	18,640	18,594	86,654
Development Opportunity/Urban Infill		6,837	13,911	4,347	19,668	38,069	59,287	142
Total Phase 1 Area		15,821	24,836	17,754	35,772	56,709	77,881	228,773

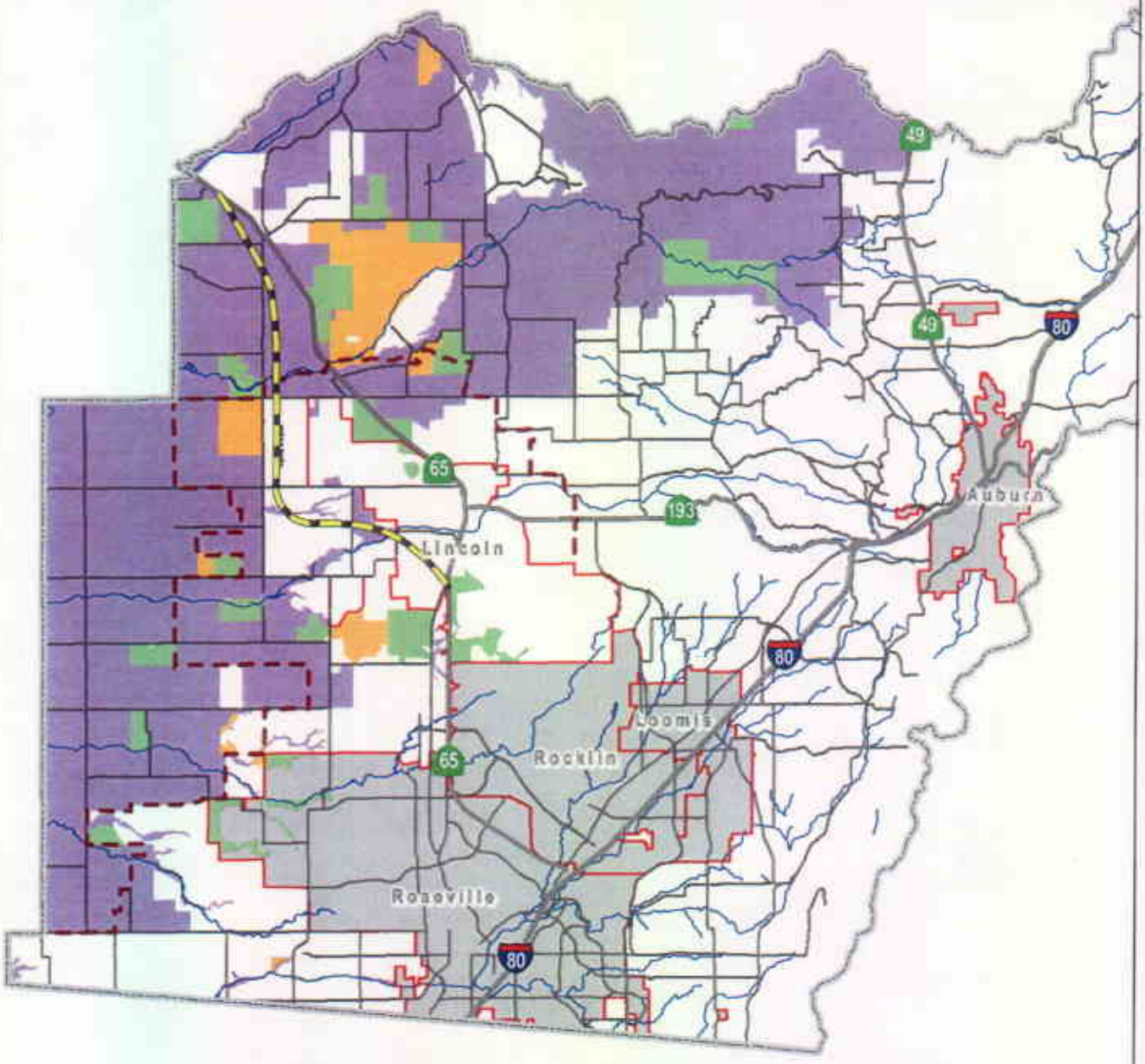
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	6,837
PCCP Preservation/Restoration	6,364
Preservation Ratio	approx. 0.9:1

Reserve System Summary	
total acres available	86,654
% of total acres in the Phase 1 area	38%
% of total acres required to comprise 60,000 acre reserve system [2]	69%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 2



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2008

DOCUMENT LOCATION:
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DOCUMENT CREATION:
Placer County Community Development Resource Agency
ITGIS Division
(530) 886-3000

DATE PRINTED: October 28, 2008

Sample 2 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,406	931	2,417	948	911	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	6,618	8,651	13,359	13,590	17,436	19,620	79,274
	total	10,798	12,213	14,290	17,424	18,670	20,786	94,181
Development Opportunity/Urban Infill		5,023	12,622	3,465	18,348	38,038	57,097	134
Total Phase 1 Area		15,821	24,835	17,755	35,772	56,708	77,883	228,774

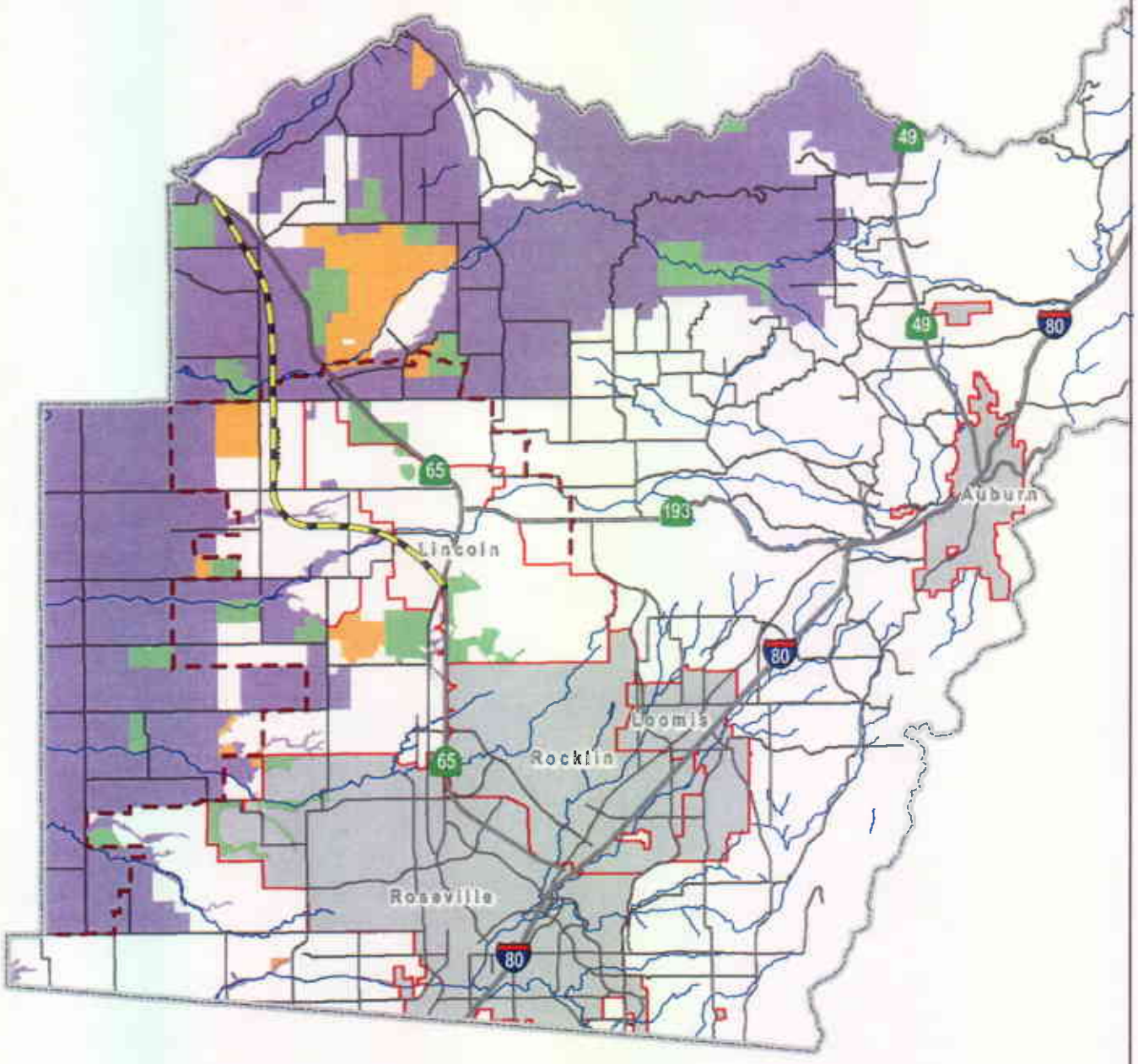
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	5,023
PCCP Preservation/Restoration	8,178
Preservation Ratio	approx. 1.6:1

Reserve System Summary	
total acres available	94,181
% of total acres in the Phase 1 area	41%
% of total acres required to comprise 60,000 acre reserve system [2]	64%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 3



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2006

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Placer County Community Development Resource Agency
IT/GIS Division
(530) 886-3000

DATE PRINTED: October 26, 2006

Sample 3 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,407	931	2,417	948	910	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	5,839	10,073	13,197	13,144	17,413	16,642	76,308
	total	10,019	13,636	14,128	16,978	18,647	17,807	91,215
Development Opportunity/Urban Infill		5,802	11,200	3,626	18,794	38,061	60,076	137,[illegible]
Total Phase 1 Area		15,821	24,836	17,754	35,772	56,708	77,883	228,774

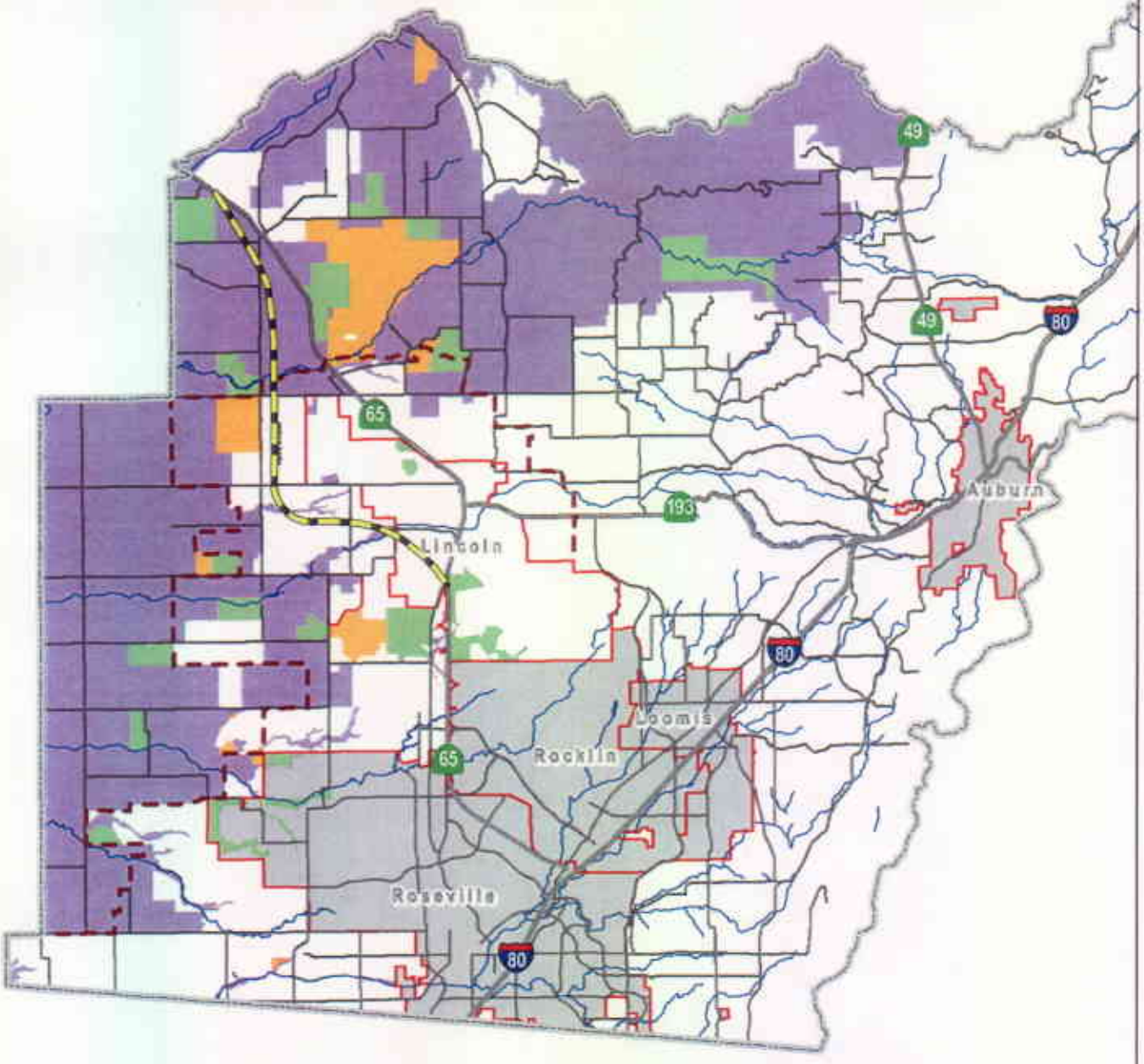
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	5,802
PCCP Preservation/Restoration	7,399
Preservation Ratio	approx. 1.3:1

Reserve System Summary	
total acres available	91,215
% of total acres in the Phase 1 area	40%
% of total acres required to comprise 60,000 acre reserve system [2]	66%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 3B



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, November 2006

DOCUMENT LOCATION:
[illegible]

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DATE PRINTED: November 15, 2006

Sample 3b PCCP Reserve System Acreage Summary*

* NOTE: acreages reflect recent requests by Roseville to change Reason Farms from Existing to Reserve Acquisition Area--these changes have not been made to the other alternatives in this document; approx 1,438 acres were affected by this change

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,214	1,347	107	2,005	943	571	7,187
	Potential	1,537	2,152	0	1,414	286	255	5,644
	Reserve Acquisition Area	6,504	8,412	14,444	13,840	17,423	19,112	79,735
	total	10,255	11,911	14,551	17,259	18,652	19,938	92[redacted]
Development Opportunity/Urban Infill		5,566	12,923	3,203	18,514	38,057	57,944	136,207
Total Phase 1 Area		15,821	24,834	17,754	35,773	56,709	77,882	228,773

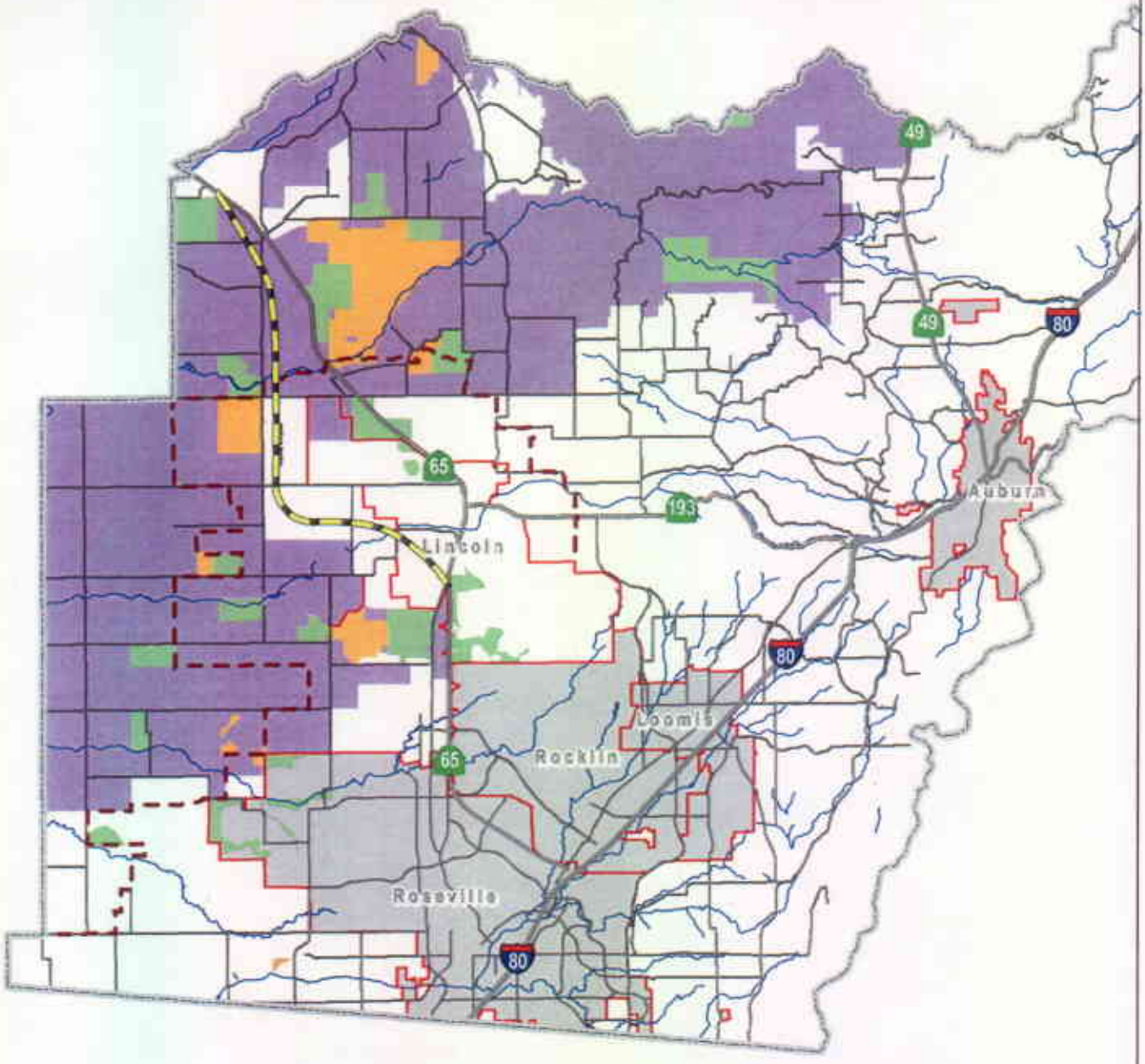
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	5,566
PCCP Preservation/Restoration	8,041
Preservation Ratio	approx. 1.4:1

Reserve System Summary	
total acres available	92,566
% of total acres in the Phase 1 area	40%
% of total acres required to comprise 60,000 acre reserve system [2]	65%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 4



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2006

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DATE PRINTED: October 26, 2006

Sample 4 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,407	931	2,417	948	910	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	6,231	10,073	13,031	12,730	17,381	19,536	78,982
	total	10,411	13,636	13,962	16,564	18,615	20,701	93,889
Development Opportunity/Urban Infill		5,410	11,200	3,792	19,208	38,094	57,172	134
Total Phase 1 Area		15,821	24,836	17,754	35,772	56,709	77,873	228,765

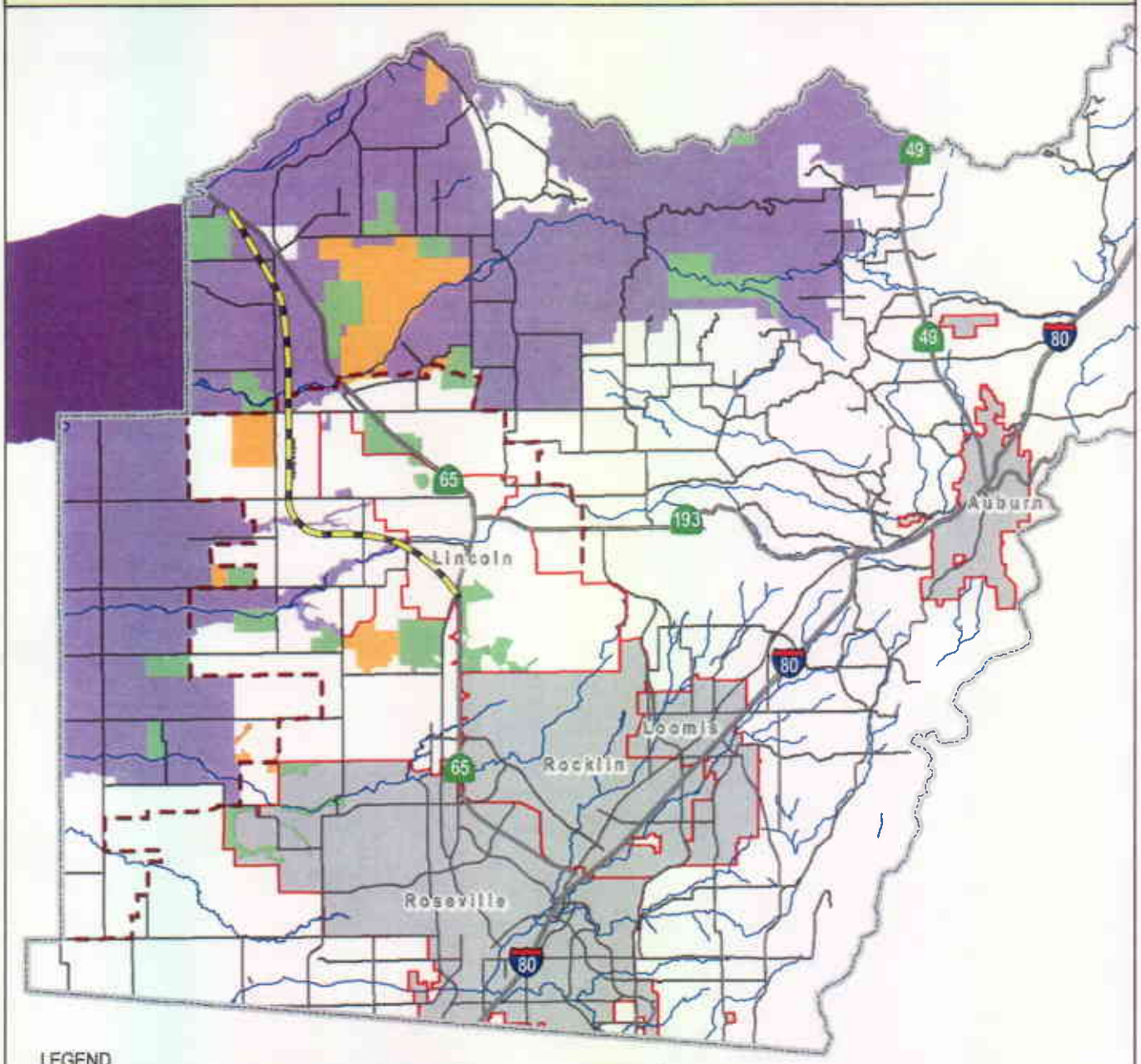
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	5,410
PCCP Preservation/Restoration	7,791
Preservation Ratio	approx. 1.4:1

Reserve System Summary	
total acres available	93,889
% of total acres in the Phase 1 area	41%
% of total acres required to comprise 60,000 acre reserve system [2]	64%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 5



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- RESERVE ACQUISITION AREA OUTSIDE COUNTY
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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Sample 5 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,438	1,381	929	2,303	948	888	8,887
	Potential	1,525	2,132	0	1,405	263	222	5,547
	Reserve Acquisition Area	2,995	7,447	10,910	10,975	17,416	17,260	67,003
	total	6,958	10,960	11,839	14,683	18,627	18,370	81,437
Development Opportunity/Urban Infill		8,862	13,873	5,916	21,087	38,059	59,588	147,[illegible]
Total Phase 1 Area		15,820	24,833	17,755	35,770	56,686	77,958	228,822
Adjacent County - Potential Mitigation Area								14,980

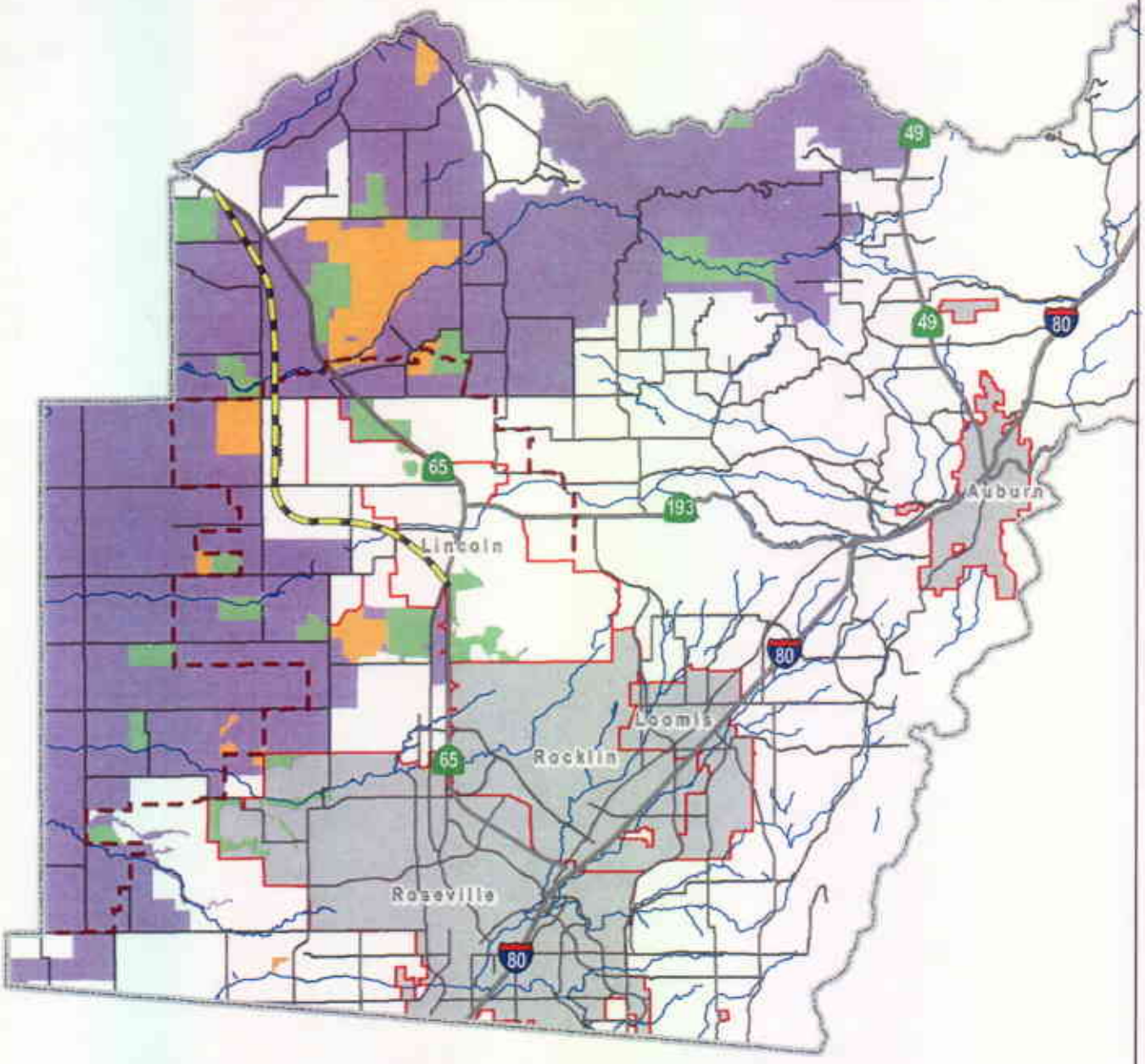
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	8,862
PCCP Preservation/Restoration (	4,520
Preservation Ratio	approx. 0.5:1

Reserve System Summary	
total acres available	96,417
% of total acres in the Phase 1 area	42%
% of total acres required to comprise 60,000 acre reserve system [2]	62%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 6



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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Placer County, October 2006

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(530) 886-3000

DATE PRINTED: October 26, 2006

Sample 6 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,406	931	2,417	948	911	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	7,654	9,744	13,919	13,878	17,381	20,699	83,275
	total	11,834	13,306	14,850	17,712	18,615	21,865	98,182
Development Opportunity/Urban Infill		3,987	11,529	2,905	18,060	38,094	56,010	130
Total Phase 1 Area		15,821	24,835	17,755	35,772	56,709	77,875	228,767

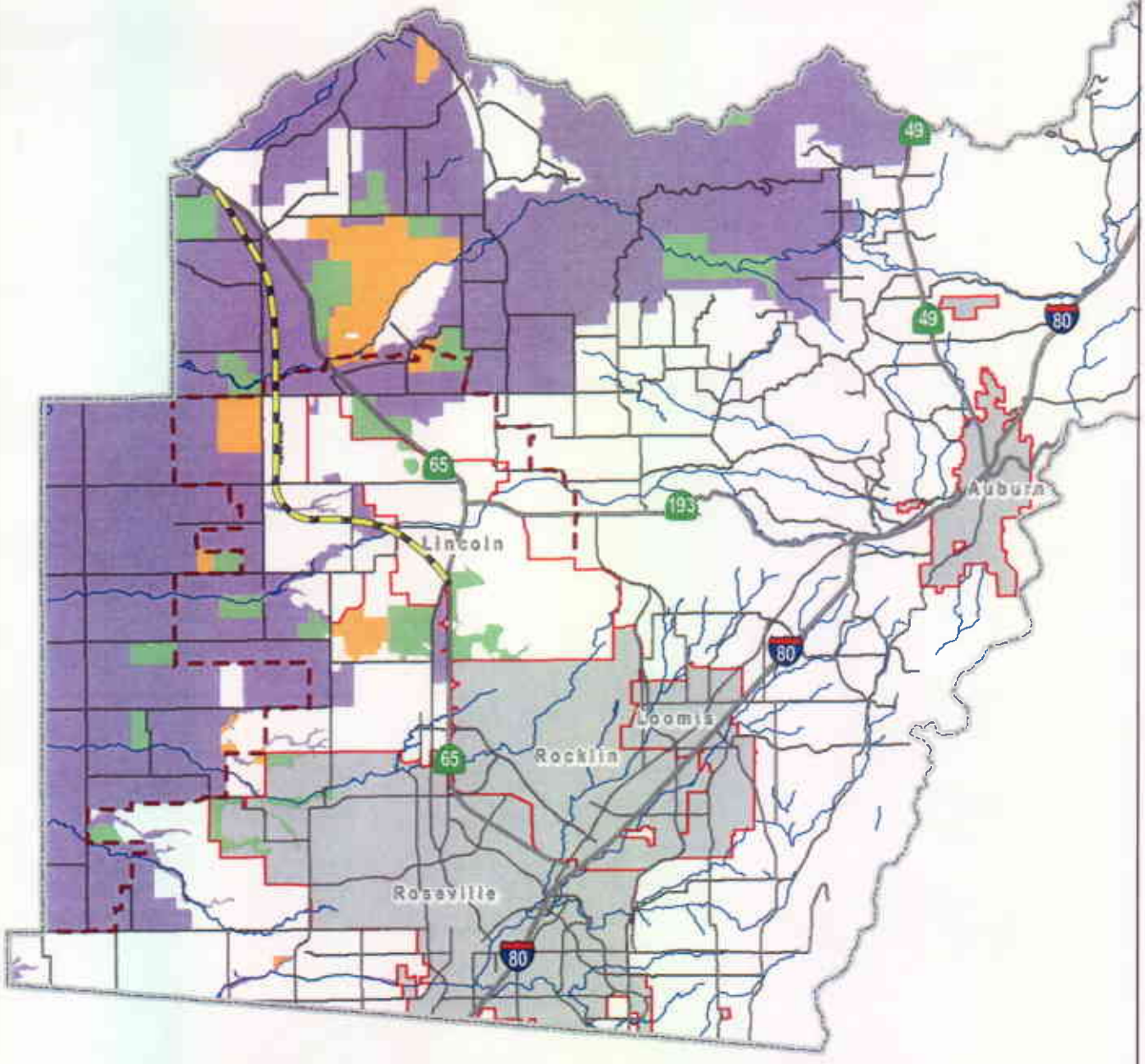
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	3,987
PCCP Preservation/Restoration	9,214
Preservation Ratio	approx. 2.3:1

Reserve System Summary	
total acres available	98,182
% of total acres in the Phase 1 area	43%
% of total acres required to comprise 60,000 acre reserve system [2]	61%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 7



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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(530) 886-3000

DATE PRINTED: October 26, 2006

Sample 7 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,406	931	2,417	948	911	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	6,779	8,705	13,359	13,665	17,436	19,623	79,567
	total	10,959	12,267	14,290	17,499	18,670	20,789	94,474
Development Opportunity/Urban Infill		4,862	12,568	3,465	18,273	38,038	57,094	134
Total Phase 1 Area		15,821	24,835	17,755	35,772	56,708	77,883	228,774

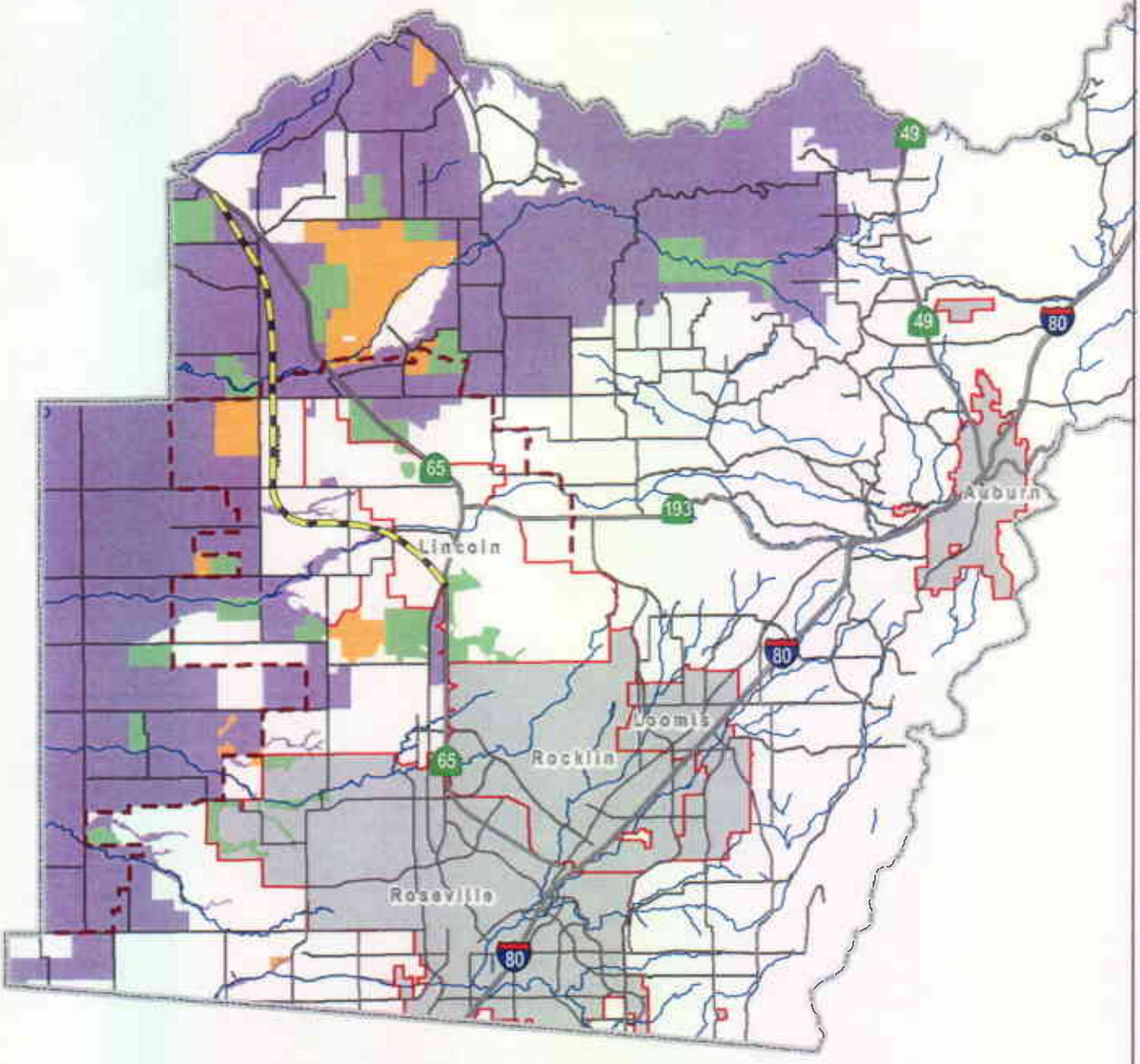
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	4,862
PCCP Preservation/Restoration	8,339
Preservation Ratio	approx. 1.7:1

Reserve System Summary	
total acres available	94,474
% of total acres in the Phase 1 area	41%
% of total acres required to comprise 60,000 acre reserve system [2]	64%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 8



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
- CITY LIMITS
- NON-PARTICIPATING CITIES
- DEVELOPMENT OPPORTUNITY LINE
- INTERSTATE
- HIGHWAYS
- PROPOSED HIGHWAY 65 BYPASS
- LANDMARK STREETS
- PERENNIAL

0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2006

DOCUMENT LOCATION:
[redacted]

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DOCUMENT CREATION:
[redacted]
(530) 886-3000

DATE PRINTED: October 26, 2006

Sample 8 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,620	1,406	931	2,417	948	911	9,233
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	7,129	8,489	13,184	13,631	17,415	18,806	78,654
	total	11,309	12,051	14,115	17,465	18,649	19,972	93,561
Development Opportunity/Urban Infill		4,512	12,784	3,639	18,307	38,059	57,912	135
Total Phase 1 Area		15,821	24,835	17,754	35,772	56,708	77,884	228,774

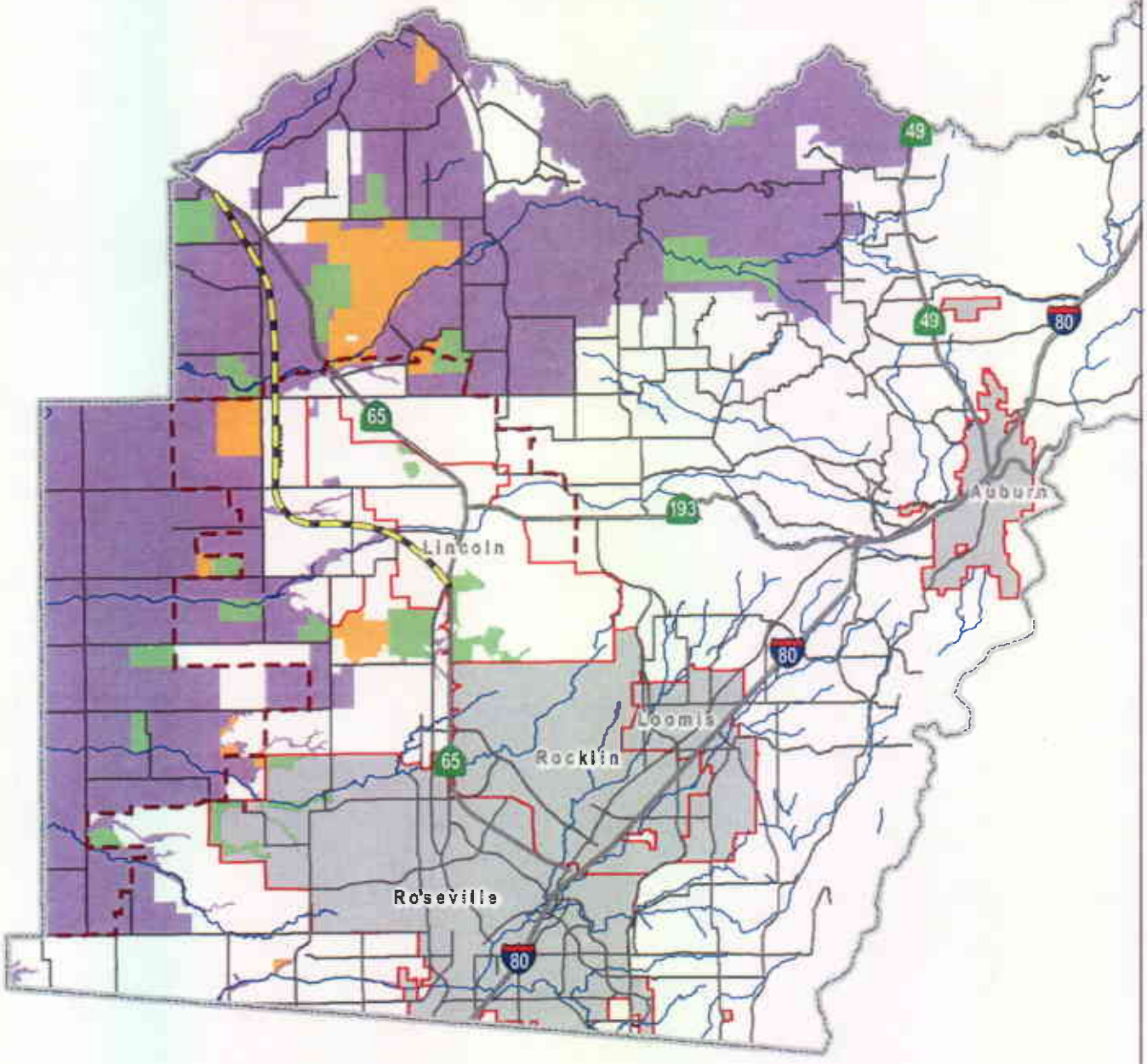
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	4,512
PCCP Preservation/Restoration	8,689
Preservation Ratio	approx. 1.9:1

Reserve System Summary	
total acres available	93,561
% of total acres in the Phase 1 area	41%
% of total acres required to comprise 60,000 acre reserve system [2]	64%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 9



LEGEND

- EXISTING
- POTENTIAL
- RESERVE ACQUISITION AREA
- COUNTY BOUNDARY
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- NON-PARTICIPATING CITIES
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0 2.5 5 10

MILES

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SOURCE DATA:
Placer County, October 2006

DOCUMENT LOCATION:
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Sample 9 PCCP Reserve System Acreage Summary

		Vernal Pool (ac)	Valley Grassland (ac)	Rice (ac)	Stream System [1] (ac)	Woodland (ac)	Other (ac)	Total (ac)
Potential Reserve System	Existing	2,215	1,383	931	2,256	948	894	8,627
	Potential	1,560	2,156	0	1,417	286	255	5,674
	Reserve Acquisition Area	6,028	8,029	13,359	13,335	17,410	19,343	77,504
	total	9,803	11,568	14,290	17,008	18,644	20,492	91,805
Development Opportunity/Urban Infill		6,018	13,267	3,464	18,763	38,064	57,393	136,9
Total Phase 1 Area		15,821	24,835	17,754	35,771	56,708	77,885	228,774

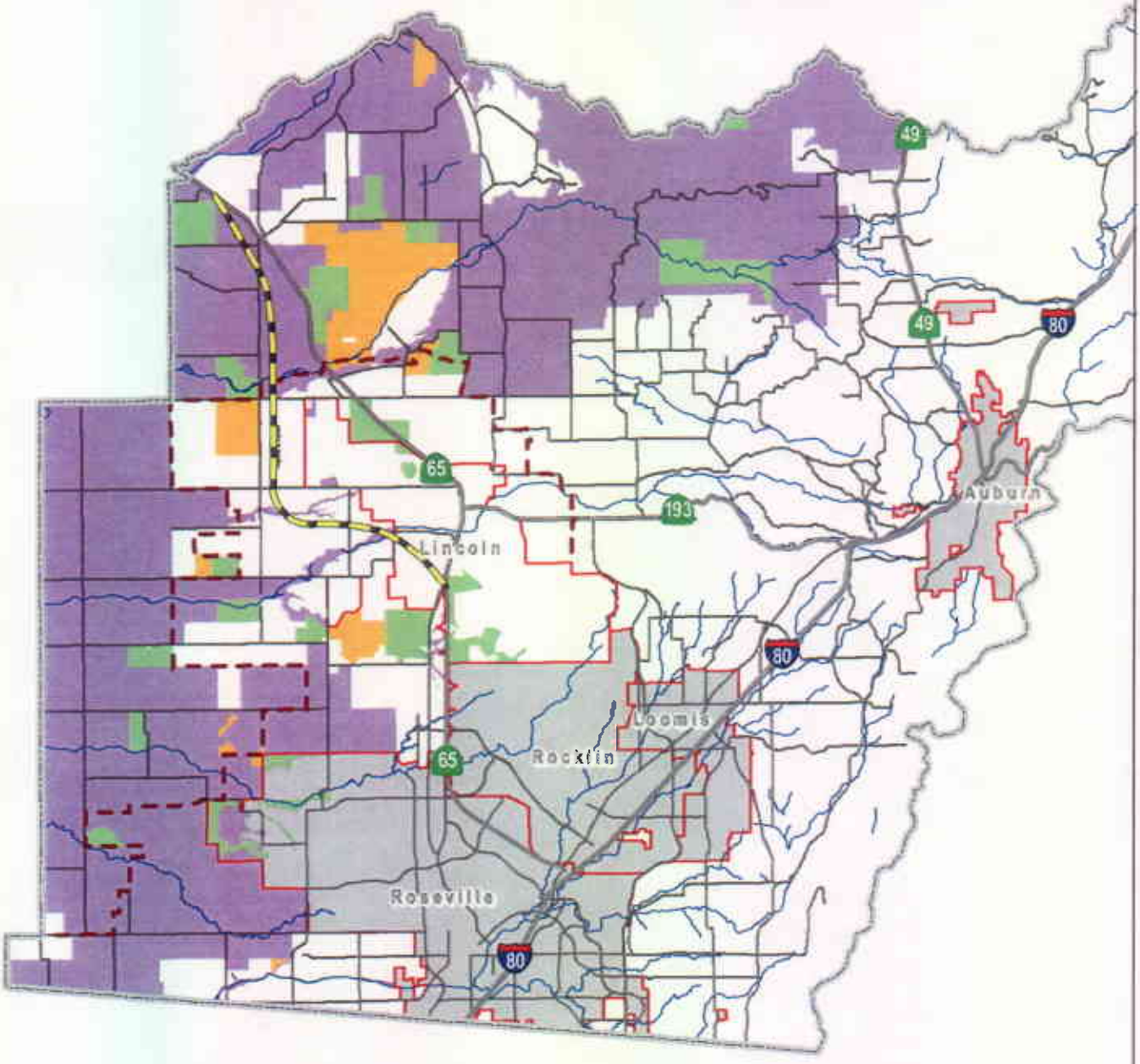
1 Includes all vegetation types located within 300 feet from centerline of the stream channel

VP Impact Summary	
PCCP VP Impact (ac)	6,018
PCCP Preservation/Restoration	7,588
Preservation Ratio	approx. 1.3:1

Reserve System Summary	
total acres available	91,805
% of total acres in the Phase 1 area	40%
% of total acres required to comprise 60,000 acre reserve system [2]	65%

2 The admin draft PCCP assumes a reserve system comprising approx. 60,000 acres will meet HCP/NCCP requirements

ALTERNATIVE 10



LEGEND

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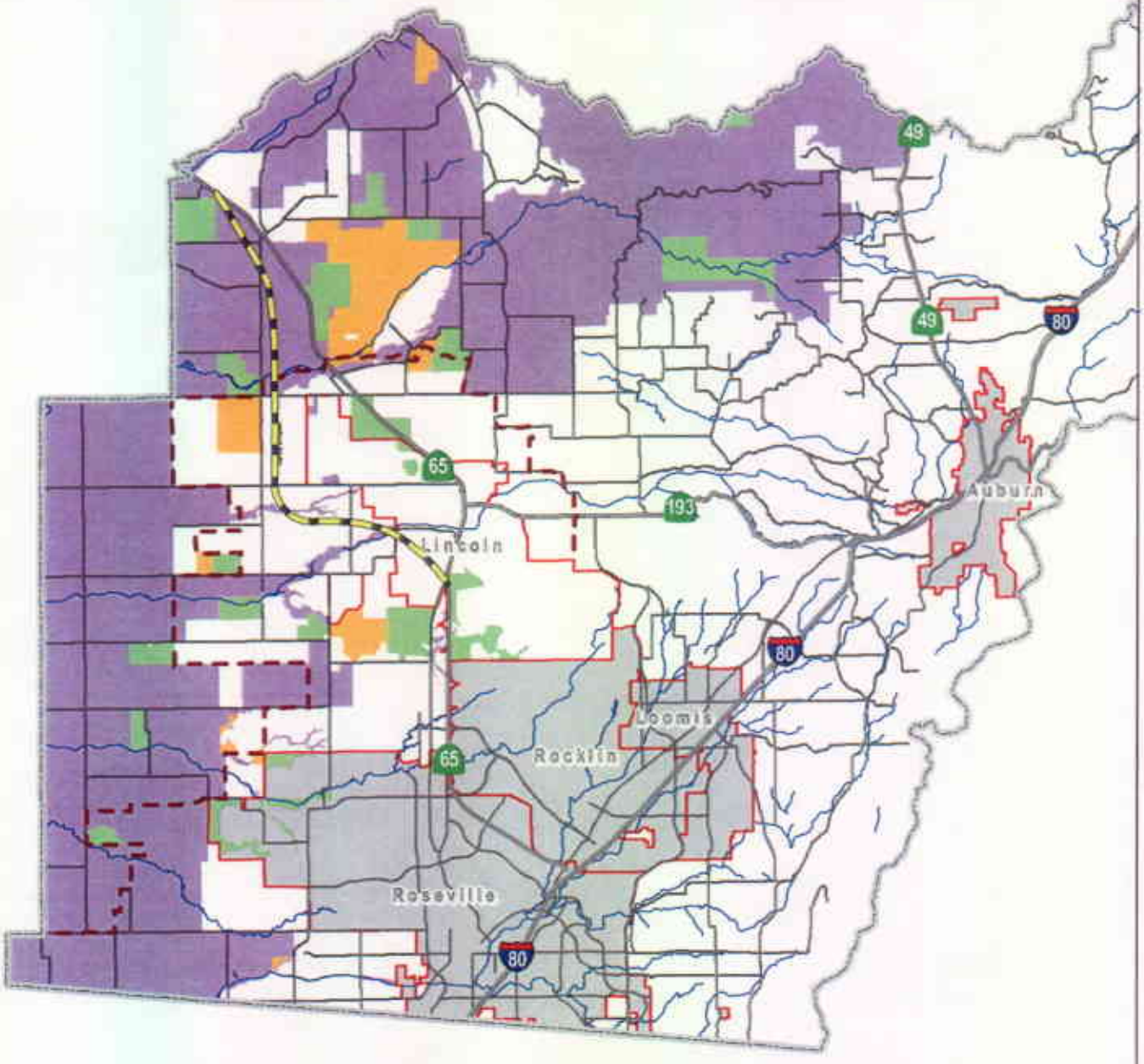
ALTERNATIVE 11



LEGEND

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SOURCE DATA:
Placer County, October 2008

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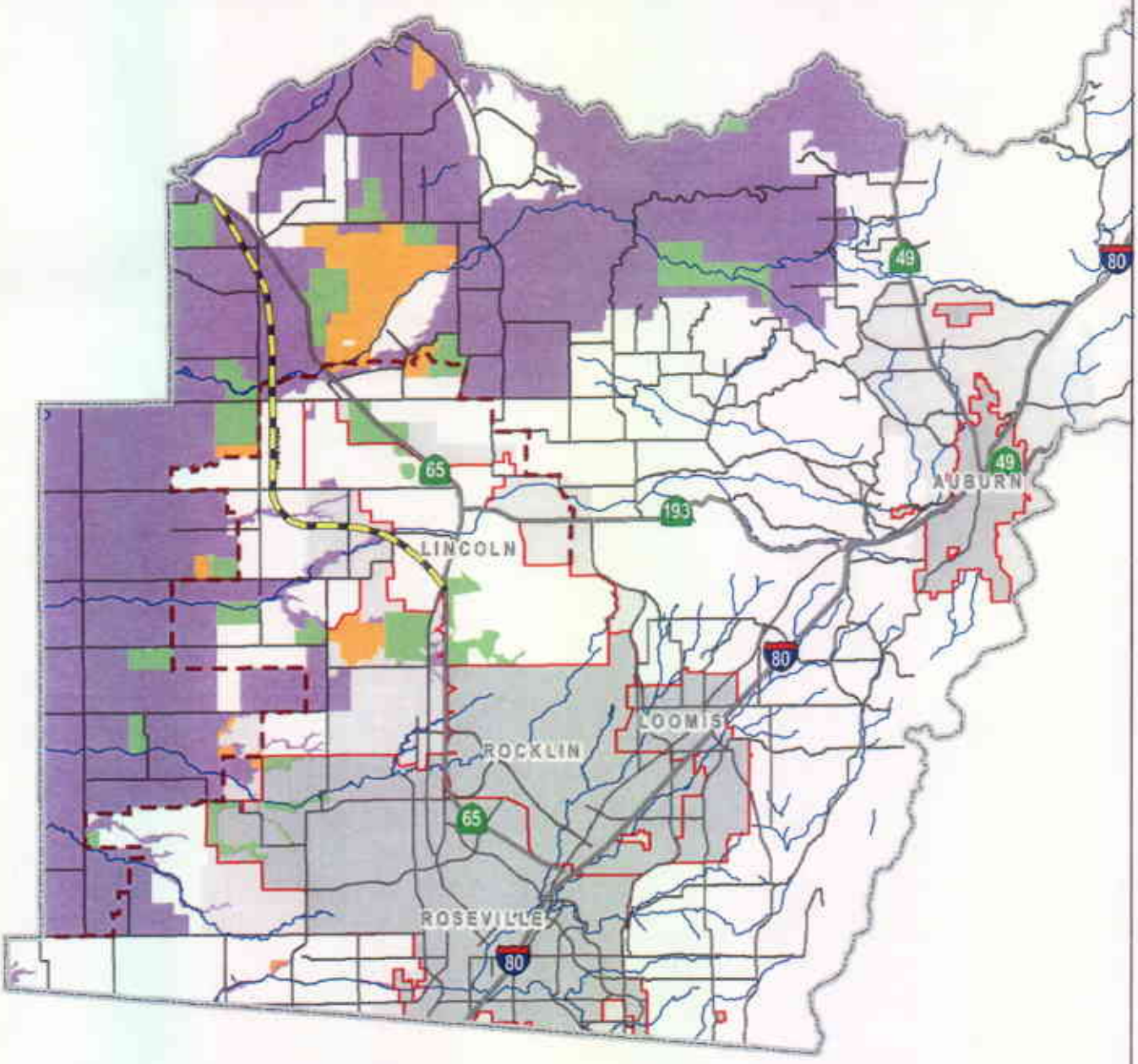
ALTERNATIVE 12



LEGEND

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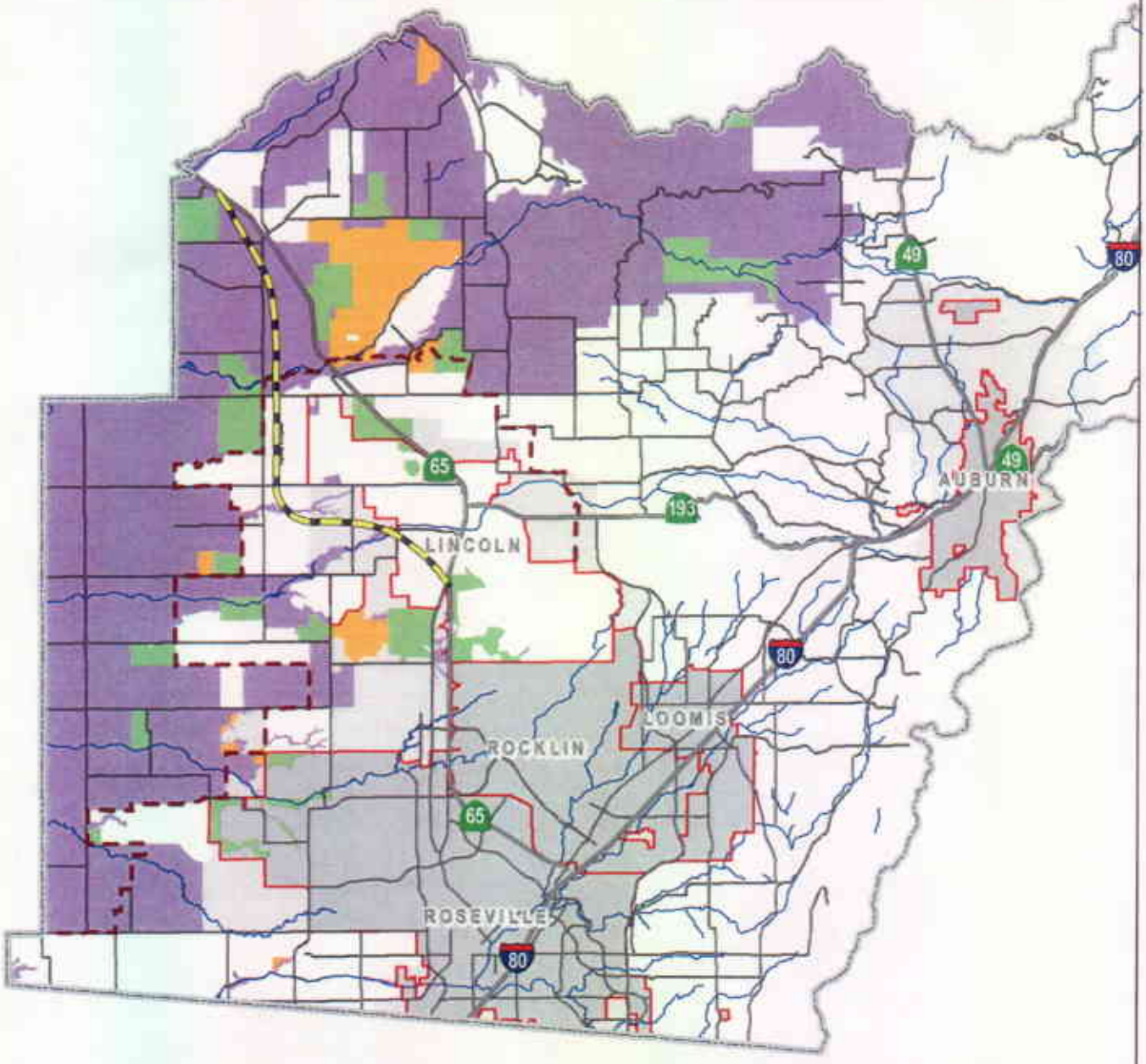
ALTERNATIVE 13



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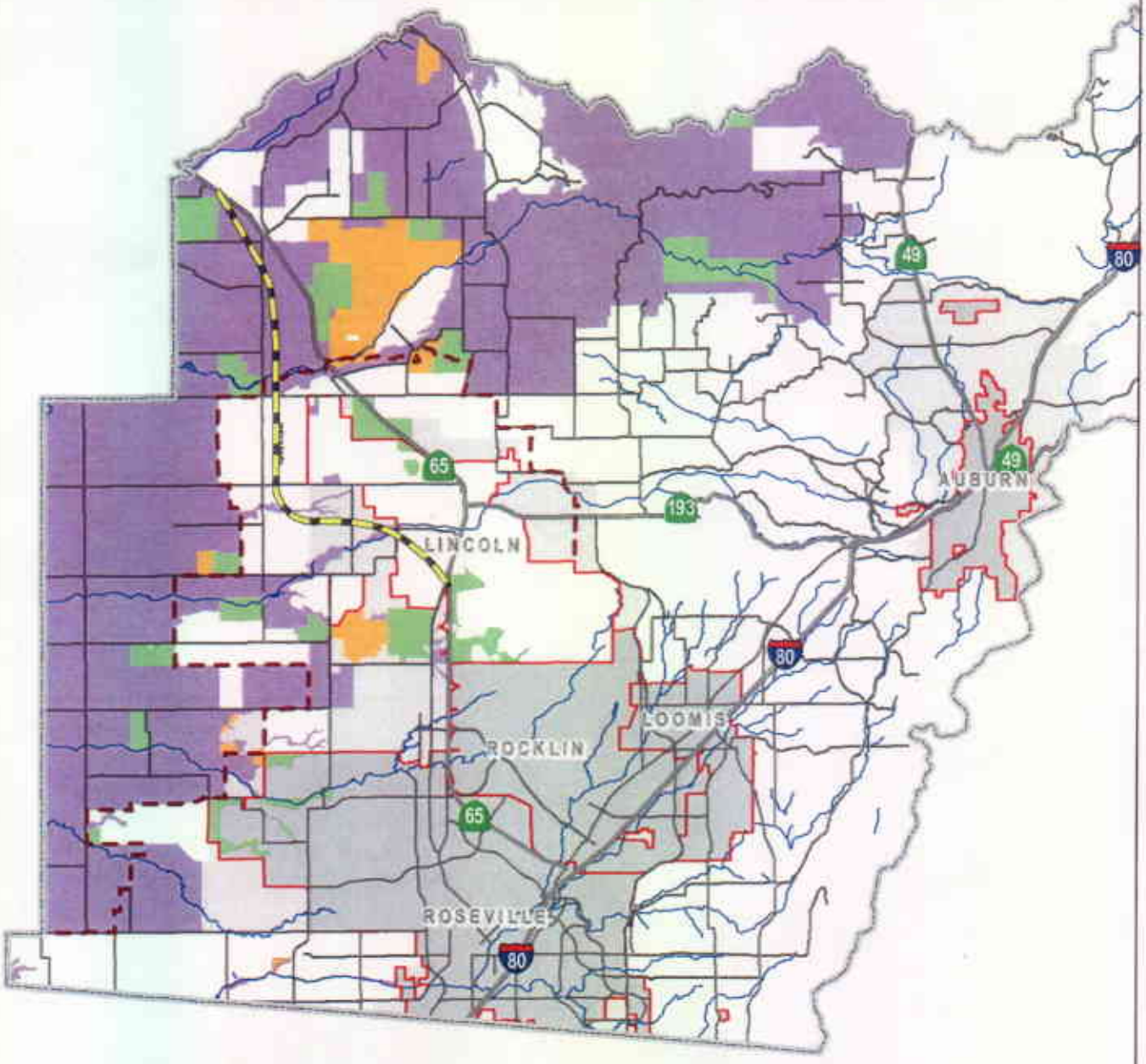
ALTERNATIVE 14



LEGEND

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ITGIS Division
(530) 886-3000

DATE PRINTED: October 28, 2008

HAUSRATH
ECONOMICS
GROUP

REVISED DRAFT MEMORANDUM

Date: November 1, 2006

To: Loren Clark, Placer County Planning Department
Melissa Batteate, Placer County Planning Department

Cc: Tom Reid, TRA Environmental Sciences, Inc.

From: Sally Nielsen

Subject: **Cost Analysis of PCCP Alternatives—Revised**

Hausrath Economics Group (HEG) has prepared cost estimates for three PCCP Alternatives: Alternative 3b, Alternative 5, and Alternative 6. The cost analysis uses the PCCP Cost Model updated as of October 2006.[1] The inputs to the model—acres of land acquired, restored, and managed by ecosystem type and location—were provided by TRA Environmental Sciences. The inputs used in the analysis summarized here were prepared by TRA Environmental Sciences on November 1, 2006. This memorandum summarizes the results of the Cost Analysis.

This PCCP Cost Analysis only estimates the costs associated with mitigation for "take" associated with land conversion to accommodate growth. These cost estimates do not include costs of any public conservation component of the PCCP. In this, they are different from cost estimates presented in February 2005.

- All of the alternatives would accommodate the same amount of population and employment growth in Placer County through 2050.
- The larger reserve area defined for Alternative 6 would leave less land available for urbanization in the PCCP planning areas (unincorporated Placer County and the Lincoln Planning Area.) By 2050, the difference from the land available under the other alternatives is relatively small—about two percent of the total land

[1] Compared to the February 2005 version of the PCCP Cost Model, land acquisition costs are higher and restoration costs have been refined. Some restoration costs are higher on a per unit basis and some are lower. On average, restoration costs per acre are lower than estimated in February 2005. On-going cost factors have also been refined, although costs in aggregate and on a per-acre basis are about the same as estimated in February 2005. Table 4 and Table 5 present some of the key acquisition and restoration cost factor assumptions.

EXHIBIT C

area that otherwise could be converted to accommodate urban growth in West Placer County during this time period would instead be set aside as reserve land

- A smaller amount of land for development would not necessarily mean smaller amounts of population and employment growth. The same amount of population and employment growth could be accommodated in West Placer with a combination of the following: relatively minor adjustments to the density of new development and more higher density infill development in the I-80 Corridor, and Roseville, Rocklin, and Lincoln. The density and infill adjustments are well within the policy objectives set forth in SACOG's Blueprint scenario for accommodating regional growth.
- Alternative 6 would result in the smallest about of land acquired for management under the PCCP and the smallest amount of land restored (see **Table 1 and Figure 1**). This is because the larger reserve area defined for Alternative 6 would result in less land conversion to accommodate urban growth and therefore less mitigation required under the PCCP for the impacts of growth. Under Alternative 6, more West Placer land would remain undeveloped and would not be required to be acquired and/or managed by the PCCP.
- Nevertheless, one-time PCCP costs are lowest under Alternative 5, at about $1.1 billion through 2050 (see **Table 2 and Figure 2**). Although more land would be acquired than under the other alternatives (almost 46,000 acres—10 percent more than under Alternative 3b and 20 percent more than under Alternative 6), that land would be less costly. Rice acquisition and restoration would be allowed and would substitute for higher cost Placer County land, particularly vernal pool grassland. Moreover, some of that rice land would be acquired in Sutter County, where rice land costs are assumed to be even lower than costs for rice land in Placer County. One-time restoration costs would be higher because of the substantially larger amount of restoration required under Alternative 5 compared to the other alternatives.
- One-time costs are highest under Alternative 3b at $1.3 billion by 2050—10 percent higher than Alternative 5 costs. Over 41,000 acres of Placer land would be acquired and 8,500 acres would be restored.
- By contrast, total one-time costs would be lowest under Alternative 6. This is because, as a consequence of the larger reserve area described above, less land would be acquired and restored as mitigation for the impacts associated with urban development.
- For Alternative 3b and Alternative 6, one-time restoration costs are about 10 percent of total one-time costs (acquisition plus restoration). For Alternative 5, restoration costs are a higher share at about 13 percent of one-time costs. Although Alternative 5 would restore 50 percent more acres than Alternative 3b and almost twice as many acres as Alternative 6, total one-time restoration costs of about $134 million are about 20 percent higher under Alternative 5 than under

the other alternatives, where restoration costs are $110 million (Alternative 6) and $115 million (Alternative 3b). (See **Figure 3 and Figure 4**.)

- The narrow range of restoration cost (compared to the range of acres restored) is explained by variations among alternatives in the types of land restored and differences in per-acre restoration costs. While Alternative 5 would restore many more acres, those acres are relatively inexpensive to restore (on a gross acre basis). Alternative 5 restoration would be heavily weighted to Valley habitats (vernal pool grasslands account for over 80 percent of acres restored). While it is costly to restore vernal pools, vernal pools *wetted acres* are only a small percentage of the total grassland complex. So vernal pool restoration costs are only 40 percent of total restoration costs under Alternative 5. By contrast, although Alternative 6 would require substantially less restoration (half the amount indicated for Alternative 5), oak woodlands and stream systems would be a higher proportion of total restoration. On a gross acre basis, these acres are more expensive to restore. Oak woodlands and stream systems would represent about 40 percent of the land restored under Alternative 6 and almost 85 percent of the total restoration cost under Alternative 6. As a result of these differences in restoration emphasis and cost, the average restoration cost per gross acre restored under Alternative 6 is almost $18,000 per acre and under Alternative 5 is about $10,000 per acre. Alternative 3b falls in the middle of the other two Alternatives.
- Overall, there is a 15 percent difference in on-going annual costs among alternatives. On-going annual costs range from $6.8 million per year under Alternative 6 to $7.8 million per year under Alternative 5. Alternative 3b falls in the middle of the range.
- The difference is attributable to the total number of acres under PCCP management and the number of acres restored. Both are highest under Alternative 5 and lowest under Alternative 6.
- Many program administration costs are assumed not to vary among the alternatives, since all result in management of roughly similar amounts of land (40,000 – 45,000 acres). Other management costs are a function of the number of acres managed or restored, so these components of management costs vary a small amount among alternatives. By 2050, the average on-going cost per acre is about $200 per acre managed, under Alternative 3b and Alternative 5. Costs under Alternative 6 are a bit lower because this alternative would have the smallest amount of restored land (requiring more costly management and monitoring).

TABLE 1
Estimates of PCCP Acreage for Local Mitigation

	2020 Alternative 3b	Alternative 5	Alternative 6
Acres Acquired/Under Management	14,314	14,173	14,186
Acres Restored/Created	893	1,249	863
	2035 Alternative 3b	**Alternative 5.3**	**Alternative 6.3**
Acres Acquired/Under Management	27,416	27,536	26,013
Acres Restored/Created	4,307	5,460	3,236
	2050 Alternative 3b	**Alternative 5.3**	**Alternative 6.3**
Acres Acquired/Under Management	41,321	45,724	38,574
Acres Restored/Created	8,515	13,021	6,230

NOTE: Acres restored/created are included in acres acquired and under management. Restoration or creation results in a change in ecosystem type, such that acres of one type are acquired and, after restoration/creation, those acres are eventually under management as another type.

Figure 1
PCCP Acres for Local Mitigation in 2050

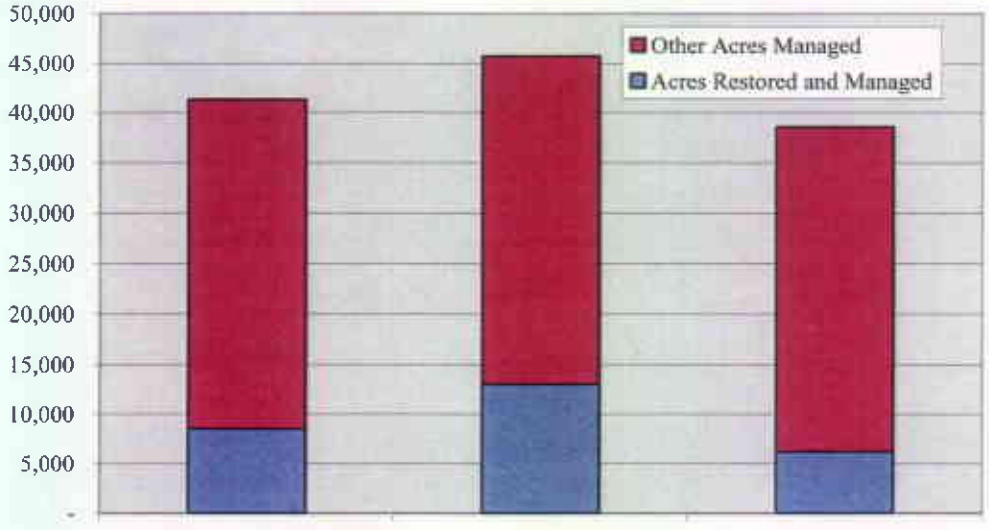

TABLE 2
Estimates of PCCP One-time Costs through 2050 (2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Land Acquisition	$ 1,039,000,000	$ 894,000,000	$ 954,000,000
Restoration	115,000,000	134,000,000	110,000,000
Contingency (10%)	115,000,000	103,000,000	106,000,000
Total One Time Costs	**$ 1,269,000,000**	**$ 1,131,000,000**	**$ 1,170,000,000**

NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.

Figure 2
Estimates of PCCP One-Time Costs through 2050
(2006 dollars)

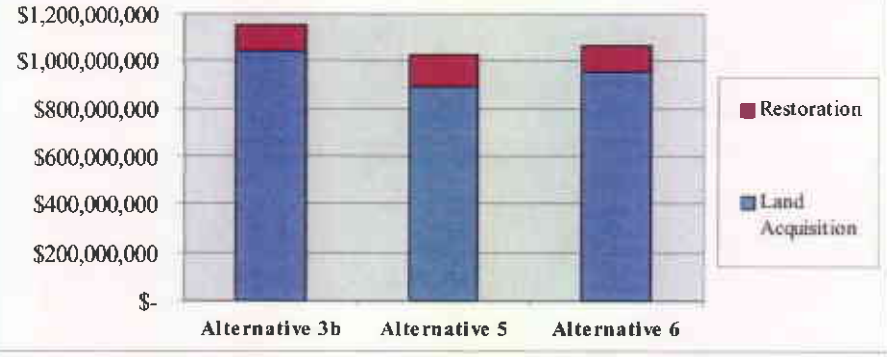

Figure 3
Acres Restored by Ecosystem

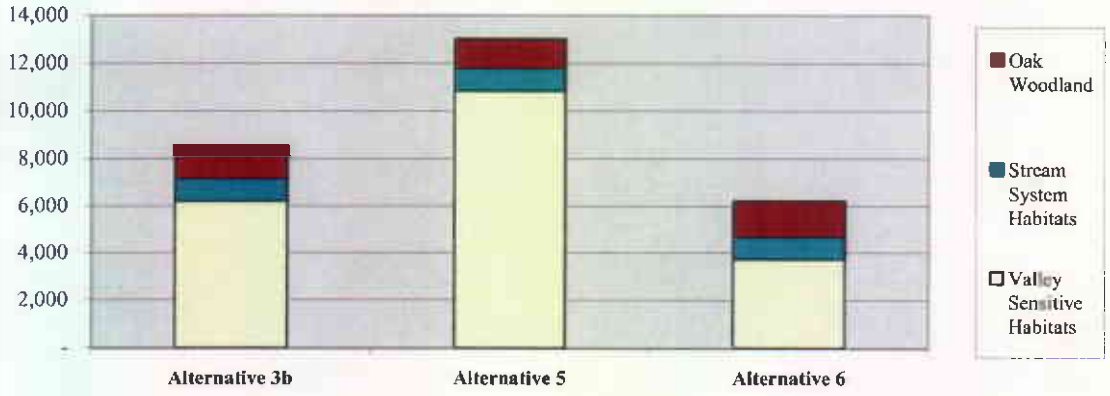

Figure 4
Restoration Costs by Ecosystem Type

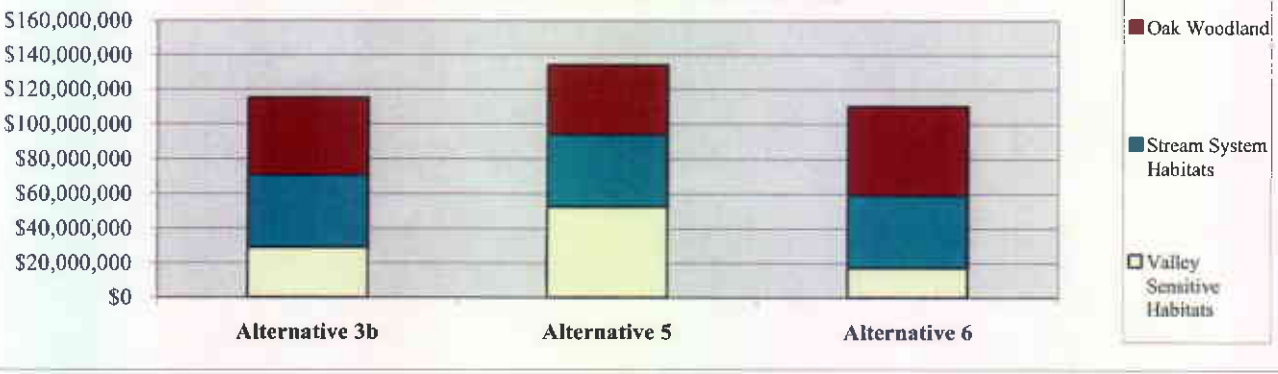

TABLE 3
On-going Cost Summary (Local Mitigation in 2050)
(annual cost in 2006 dollars)

	Alternative 3b	Alternative 5	Alternative 6
Cost Category			
Program Administration	$ 599,000	$ 599,000	$ 599,000
Land Management	3,923,000	4,500,000	3,723,000
Restoration Management	631,000	631,000	631,000
Monitoring, Research, and Adaptive Mngmt.	1,690,000	1,828,000	1,650,000
Contingency (3%)	205,000	227,000	198,000
TOTAL	**$ 7,048,000**	**$ 7,785,000**	**$ 6,801,000**
Acres Managed (cumulative total)	**41,321**	**45,724**	**38,574**
Acres Restored (cumulative total)	**8,515**	**13,021**	**6,230**

On-going Cost per Acre Managed

Cost Category	Alternative 3b	Alternative 5	Alternative 6
Program Administration	$ 14	$ 13	$ 16
Land Management	$ 95	$ 98	$ 97
Restoration Management (per acre restored)	$ 74	$ 48	$ 101
Monitoring, Research, and Adaptive Mngmt.	$ 41	$ 40	$ 43
Contingency (3%)	$ 5	$ 5	$ 5
TOTAL	**$ 200**	**$ 200**	**$ 180**

1 This total is not the sum of the detail because it is calculated by dividing total costs in the first part of the table by total acres managed. Therefore, it averages restoration costs ove rall acres managed, not just over acres restored. The line item above for restoration management cost per acre is calculated based on restored acres only.

TABLE 4
Assumptions for Fee Title Land Cost, PCCP Cost Model October 2006

	Valley	Foothills	Sutter County
Vernal pool grassland	$65,000		
Rice	$9,000		$5,000
All other ecosystems (large parcels)	$15,000	$10,000	
All other ecosystems (small parcels)	$25,000	$25,000	

Range of per-acre land prices by size and sub-market (2001-2005)[1]

	Valley	Foothills
Conservation Area - 20 - 99 acre parcels	$3,000 - $35,000	$2,000 - $25,000
Conservation Area - parcels 100 acres or more	$1,000 - $14,000	$2,500 - $7,300
Rice (West Placer)	$7,000 - $10,000	
Rice (Sutter)	$3,000 - $5,000	
Speculative Land	$8,000 - $66,000+	West Placer/Lincoln
Mitigation Land	$15,000 - $40,000	Natomas (Sutter Co.)

Other Assumptions:

Easement values are 60 percent of fee title values.

Overall, about 15 percent of acres are acquired by means of easement.

NOTE: Land acquisition includes the following: acquiring land in fee title, acquiring easements, associated transaction costs, conducting pre-acquisition surveys, and undertaking one-time site maintenance activities.

[1] There is a large range in the per-acre land prices derived from recent land transactions and listings. The assumptions used for the PCCP cost analysis reflect values at the higher end of the range. This provides relatively conservative estimates for the purposes of planning and also reflects the scarcity premium likely to be associated with purchases of suitable conservation land.

SOURCES: Hausrath Economics Group, Placer County Assessor's Office, real estate brokers, Natomas Basin Conservancy, and California Chapter of the American Society of Farm Managers and Rural Appraisers, 2006 Trends in Agricultural Land and Lease Values.

TABLE 5
Restoration Cost Assumptions for the PCCP Cost Model October 2006

	Construction Activity	Related Costs[1]	Total Construction and Related soft costs	Post-Restoration Monitoring and Maintenance[3]
Oak Woodland	$13,000	$4,000	**$17,000**	$19,500
Aquatic and Wetland from grassland	$23,000	$8,000	**$31,000**	$17,250
Aquatic and Wetland from rice	$23,000	$8,000	**$31,000**	$17,250
Valley-Foothill Riparian	$15,000	$5,000	**$20,000**	$22,500
Valley Grassland/Vernal Pool from grassland (per wetted acre)[2]	$20,000	$7,000	**$27,000**	$17,000
Valley Grassland/Vernal Pool from grassland (per gross acre)	$2,000	$700	**$2,700**	$1,700
Valley Grassland/Vernal Pool from rice (per wetted acre)[2]	$25,000	$8,000	**$33,000**	$21,250
Valley Grassland/Vernal Pool from rice (per gross acre)	$2,500	$800	**$3,300**	$2,125

[1] Related costs include regulatory compliance, plans and specifications, bid assistance, and construction oversight. Related administration and overhead are estimated elsewhere in the model but average 20 percent of total restoration costs over time.
[2] The average vernal pool density is assumed to be 10 percent over any particular vernal pool grassland complex.
[3] For all ecosystem types except vernal pools, assumed to apply to 80 percent of all acres restored . For vernal pool restoration, assumed to apply to 100 percent of acres restored.
SOURCE: Hausrath Economics Group, Jones & Stokes Associates, and Placer County.

Figure 5
Restoration Cost per Gross Acre by Ecosystem Type
(includes post restoration monitoring and maintenance)